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35270.

THE
ECONOMIC JOURNAL
VOLUME VII

VOL. VII.



THE
ECONOMIC JOURNAL

THE JOURNAL OF
The British Economic Association

EDITED BY
F. Y. EDGEWORTH AND HENRY HIGGS

VOLUME VII

London
MACMILLAN AND CO., LIMITED

NEW YORK: THE MACMILLAN COMPANY

1897



A.25853.

RICHARD CLAY AND SONS, LIMITED,
LONDON AND BUNGAY.

APR 13 1898

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THE ECONOMIC JOURNAL

MARCH, 1897

AGRARIAN REFORM IN PRUSSIA

IN the middle ages the organisation of rural economy was everywhere as follows—the land was held partly by the lord partly by the peasant. On the lord's manor stood the lord's seat, surrounded by barns and stables; the latter for horses, eventually also for the owner's sheep, the former were destined to receive the returns of tillage. These were won from the soil with the aid of the peasant liegemen, their cattle and their tools, as their lord directed through his steward. The personal dependents of the chief, and subsequently a number of day-labourers, were also expected to contribute their work to the tillage of his estate. It was the further duty of the peasant to take all produce to the market, where it was sold under direction of the steward for the benefit of the landlord.

All other land was peasants' land, tilled by the peasants for their own benefit in whatever time was not claimed for the service of their lord. Irrespective of service, however, the peasants were expected to pay dues either in kind or in money. In order that by such an arrangement of labour the lord's land might be cultivated, the peasants' land everywhere was much larger than the lord's land. The latter was small in extent.

This system of rural economy was in operation in the fifteenth century in the north, south, east and west of Germany. But during that century, and from that time on, a great change set in. Whilst in other parts of Germany the system continued in force, in the main, till the end of the eighteenth century, and indeed, in many respects, was unchanged up to 1848, in Germany east of the Elbe there began a process of absorption of the peasants' land into the lord's land which was to culminate in the rise of a system of agriculture on a large scale.

The squires (*Ritterschaft*) east of the Elbe had originally been nothing more than neighbours to the village peasants, but the financial embarrassments of their princes created an opportunity for the squires to obtain for themselves a share of the privileges which the princes exercised over the peasantry. *They* became the peasants' overlords. Then, in the sixteenth century, they obtained first the right to confiscate the land of the peasant and add it to that of the lord, later they obtained the right of compelling him to cultivate this larger estate. By this means they created a number of large estates such as could be found nowhere else in Germany. The development of this movement was only checked for some time under the absolute rule of Frederick William I. and Frederick the Great of Prussia. Consequently, when the age of peasant emancipation began, the chief part of the land was, in the countries east of the Elbe, in the hands of a few large proprietors.

Then came the catastrophe of Jena, closely followed by the glorious period of the regeneration of Prussia. With it came also those great reforms which have obtained lasting celebrity under the name of the Stein-Hardenberg legislation. The aim of this legislation was the emancipation both of the peasant and of the land. Both of these were in the interest of agricultural progress.

The first thing enacted by the edict of October 9, 1807, was the removal of that privilege of the nobility, by virtue of which they alone could possess *Rittergüter*, *i.e.* large landed estates. The noble had been a bad landlord. He had squandered his money in the maintenance of his rank and position. He had not replenished the land for the returns he had drawn from it. For that there was needed a middle class richer in capital, more frugal in habits, more energetic in husbandry. Hence the nobles lost that privilege.

Then it was declared legal to abrogate family settlements and trust deeds, and liberty to divide estates was proclaimed. The idea that prompted this action was that the best way to increase the product of the soil, and thus to raise the national income, was to make the best tenant its owner—hence the removal of the privileges of the nobility, hence the permission to set aside family settlements.

Further, the conviction obtained that it was economically far more rational, socially more desirable, to possess a small estate unencumbered than a large one that was burdened with debt. And liberty to subdivide land seemed the best way to protect the owners from encumbrance. In the case of a division of the

inheritance or other extraordinary circumstances putting the owner in want of money, the owner of an estate was henceforth to be permitted to sell as much land as was needed to leave the rest free of debt.

Besides this the opinion prevailed that consideration for the children was an essential psychological factor conducing to amelioration. Without a free control of the land, in case of death, parents would hesitate to make improvements, since all expenditure of capital on the land would be favouring one child at the expense of the others, while improvements, which would otherwise have been neglected, would be undertaken if the property could be divided among their children as the parents wished.

And finally it was held that the weal of the State was best furthered when as large a proportion of the people as possible were put in the way of gaining a title, however small, in the soil.

Wherefore, not only were the last remains of serfdom abolished where such still existed, but it was also decreed that every peasant should have the right, by surrendering a portion of his land—a third or half according to the goodness of his title—to keep the remainder as his own freehold, exempt from all feudal services or dues, to be at liberty to dispose of it either during his life or at death, and that in case of intestacy the estate was to be equally divided among his children.

On the other hand the Act of Frederick the Great for the protection of the peasant was repealed—that, namely, which forbade the landlord to unite peasants' land with his own.

These reforms—excepting the last—roused the anger of the Prussian nobility; their hostility against Stein had already in 1808 aided in bringing about his downfall. A movement had arisen which idealised the old feudal relation between landlord and tenant more in the spirit of romance than of actual fact. As its supporters were near the King, they gained influence over him and, under the pressure of their representations, Frederick William III. stopped all measures for securing the liberty of the peasant six months after the "battle of liberation" at Leipzig. Most of the peasants lost the benefits of the Act of 1811, which made them the free owners of their land on the condition of the surrender of a part. Only the larger holders among them were to reap the boon. On the other hand the Act of Frederick the Great which prevented the confiscation of the peasants' land remained repealed.

The King yielding thus to this romancing of the reactionaries, the peasants' condition became critical. The larger holders

among them could make themselves free, but only by the surrender of a large portion of their land. Those whose holdings were small could not free themselves at all. In addition to this, the protective Act of Frederick the Great having been set aside, their land could now be confiscated. The only advantage they had gained was that of being no longer bound to the soil. The effect of this was that the land of the squires was always growing larger, that of the peasants smaller.

Nor was this the limit of the reactionary legislation. Liberty to divide estates was not carried out, and not only was the complete abolition of feudalism, and the freeing of the land from the burdens of trust deeds left unenforced, but even the creation of new trust deeds was once more in favour. The sale of the Crown lands to private individuals was stopped under Frederick William IV., in order that the Crown might have an independent source of income. Thus neither the large private estates nor the large estates of the Crown could be divided.

A further cause of the maintenance of large holdings in Prussia was the peculiar arrangements that were made in order to help the great landowners to get credit. Frederick the Great had for this end created Credit Societies (*Landschaften*), by means of which all the large estates of a district, through the intervention of the society, became responsible for the liabilities of each. This considerably raised the credit of each estate. The necessary consequence of this was, however, that no estate that was burdened with mortgages could, without consent of the creditors of all the estates, be divided in such a way as to withdraw the rescinded portions from the collective security for the whole debt. Liabilities thus prevented the cutting up of large estates, but not the acquisition of entire holdings, and especially not that of entire peasant holdings on the part of the large landowners.

All this was in direct opposition to the tendency of the Stein-Hardenberg legislation, the aim of which was to create many peasant properties in place of the few large landlords.

Then came the year 1848, bringing the emancipation which the peasants had so long hoped for. The continuance of the peasants' services proved to be one main cause of the discontent in the rural districts. When, therefore, the reaction set in, even the reactionary Government of the day consented to the Act of March 2, 1850, which declared that all dues and services of the peasants were commutable. The Act was, besides this, noteworthy in that it instituted payment of rent in money

instead of compensation by surrender of peasant land. The money rent was not to be more than one third of the net profits of the holdings. To make this commutation easier, rent banks were established. For many, however, the Act in its late coming came too late. The peasants whose holdings were cumbered with dues and services that had been declared not commutable during the reaction that followed the battle of Leipzig, had in many cases lost their land through confiscation. They had become day-labourers. The others were terribly oppressed by the rents they had to pay.

Moreover, the very improvements in rural economy—*e.g.* the abolition of the right to drive cattle for pasture on lammas lands, and the division of common lands, had made the condition of many of the peasants worse, since they had made it difficult or impossible for them to keep cattle. Hence many also of the peasants, whose land had *not* been confiscated by the lord, to a great extent disappeared. Many sold their land to the squire and went to the towns where they found occupation in the rising industries. Others who remained became day-labourers in a condition of poverty.

But the squires thought they could never buy up enough land. From 1830 to 1850 that great advance in German agriculture began which continued well into the 'seventies, and made it possible for a well-managed large estate to pay prices with which a peasant farming according to tradition could not compete.

Then came further encouragement to the creation of deeds of trust. The Prussian Constitution of 1850 had forbidden the founding of family settlements, but when the reaction set in, this was not only permitted by the Act of June 5, 1852, but was even encouraged by the Government in every way. The considerations which led to the creation of deeds of trust were not merely agricultural, but on account of the prominent political position which the large landholders hold in Prussia, it was chiefly the desire to extend their influence which prompted the foundation of lasting family settlements. The greater the acquisition of wealth in industry and commerce the larger the number of persons who sought to found a family through the creation of an entail.

The growth of the sugar industry was a new enemy to the peasant east of the Elbe. The sugar factories began to buy up peasants' land. Their shareholders are landowners of large or middling estates, who often draw their dividends in selling their beetroot at a high price to the factory, in which they hold shares.

It is therefore to their interest to purchase as much land as possible on which to grow beet; and the peculiar method of taxing sugar in Germany favours their interest and enables them to pay prices for land with which the peasant cannot compete.

But all land which had once come into the lord's estate remained there. Whether it was tied up in entail, or whether the cutting off of portions of the soil was prevented by the peculiar manner of meeting liabilities through the Credit Societies, all land that had once been absorbed in a large estate never again became a small holding. Hence it will be understood that the hopes raised by the Stein-Hardenberg legislation were not realised. Its ideal was to put a number of free, independent and well-to-do peasants in place of a few holders of large estates who cultivated their land by dependents. The condition of its being realised was the subdivision of large estates. But the large estates were never made accessible to free division; nay, such division became more and more restricted. The land which was available to the growing population was continually decreasing, and those who wished to get any part of it could only hope to buy peasants' land. This land was all that was available to appease the hunger alike of the squire who was trying to increase his power, and of the small man who was striving for independence. And as the population was rapidly growing it is easy to see that more peasant land was parcelled out among small owners than was bought up from the large estates. According to Sering,¹ between 1816 and 1860, 2·5 million acres of peasant land were either partially or wholly subdivided, while only 1·6 million acres were bought up.

These facts furnish the key to the change which has taken place in agrarian politics in Prussia during the last ten years. Since 1816 the Government had made very considerable concessions to the reactionary demands of the Prussian nobility, yet the Prussian official class held firmly to the principles of the Stein-Hardenberg legislation and had never lost hope of their ultimate realisation. But the lessening of the peasant lands, by purchase on the part of the squires, and by division into small holdings, excited in growing intensity the anxiety of the patriots, and it is inconceivable, though unfortunately true, that from these facts the following conclusion was drawn:— "Free trade in land has by no means served to render the distribution of landed property more equal."² It is indeed an

¹ *Die Innere Colonisation im östlichen Deutschland*, by Prof. Dr. Max Sering. Leipzig, 1893, p. 47.

² Sering, *l.c.* p. 49. The same logical error is found on p. 154, where Sering is

indisputable fact, and one which, even by those of Sering's opinions, has never been disputed, that the free sale of land has never been thoroughly carried out in Prussia. But this conclusion is not more illogical than when the same persons, from the fact that far more peasant land has been subdivided into small farms than has been bought by squires, draw the further one, that the most dangerous enemy of the well-to-do peasants is the increased number of persons desiring fractional holdings. As though, in view of the indivisible nature of the ever-extending large landed estates, it were not the necessary consequence that the desire of a constantly increasing population for land could only be satisfied by the division of peasant land; and that the cause of the decrease in peasant land, even when it was not bought up by the great landowners, was to be found in the indivisibility of the latter!

But something else is needed to explain the unreasonableness of this logic. In the time of the Baron vom Stein, after the battle of Jena, there was nobody who would say, that as the Prussian nobility had created the Prussian State in the past, so its interests deserved special consideration. For it was too apparent as to the classes who up to that time were the moving spirits in the State, that if they had caused its greatness in the past, now they were responsible for its collapse. Therefore the privilege which gave to the nobility the exclusive possession of large estates was repealed. Since that time estates in Prussia have changed hands many times, and most of them are owned to-day by families which, at the time when the noble landed proprietor is said to have made Prussia, were not in a position to be landlords at all. And yet one constantly hears of the services which the nobility east of the Elbe had rendered to the Prussian State—services which would absolutely make it impossible to let them sink to the insignificance of the nobility in other German

writing of the failure of the Colonies which the Crown Lands Administration had tried to found in the 'thirties and 'forties in Neuvorpommern. Two thirds of the newly founded farmsteads have disappeared. Some have been absorbed by the larger estates, but the greater number have been divided into smaller holdings. Sering draws the following conclusion:—This shows that the principles of free trade suffice, in two generations, to change a flourishing settlement into a wilderness. The conclusion is careless, since it is precisely in Neuvorpommern that the principles of free trade did not prevail. Tenure by *latifundia* increased in that province during the eighteenth century, in consequence of confiscation of peasant farms, till eighty per cent. of the soil was thus held. To right and left of the new founded settlements lay large estates that were tied up. The settlers being thus debarred from extending their borders, they had no option but to subdivide their holdings.

lands. Scholars have invented this phraseology, and there is a certain element of the comic in hearing it often repeated with special emphasis by those who themselves belong to the *novi homines* among the landlords. This however is to-day the doctrine in vogue among those who make Prussian politics, and this it is which explains, not merely the absurdity of the argument as to the causes of the distribution of land in Germany east of the Elbe, but also the latest development of the Prussian Agrarian Reform. Let us now turn to the consideration of the latter.

The complaints of patriots about the constant diminution of the independent peasantry, found no response among the landed proprietors so long as German agriculture in the north-east was in a constantly improving condition. Not as though it had been openly recognised that the *Conjunktur* was a brilliant one for agriculture. This the landlords east of the Elbe had not done, even when the price of grain had reached the highest point which it has touched in this century; even in 1873 they complained,¹ "that agriculture no longer paid the farmer." They were none the less discontented. They had not yet become reconciled to the abolition of the old feudal constitution. Hence they would hear nothing about the granting of land to labourers, for the purpose of increasing the number of the owners of the soil; since those who received grants would not come thenceforth to work on their estates. On the other hand they wished to restore the hereditary lease system (*Erbpacht*), forbidden in 1850, at the time of the abolition of feudalism.² But the Government was not favourable to this idea. The men who had carried the abolition of the feudal landlord system, and had freed the peasants, were still in office. The idea of re-introducing a state of things which had scarcely been abolished did not become a real force until it found an intelligent advocate in one who had not grown up among the traditions of the old Prussian official class.

This man was Dr. Miquel, the present Prussian Minister of Finance, then a deputy in the Second Chamber, and formerly Mayor of Osnabrück.

In order to understand Miquel's plans of agrarian reform, the fact that he hailed from Osnabrück must be borne in mind not less than his early socialistic velleities. Osnabrück had brought forth a great man, original, farseeing and scholarly—Justus Möser—and her people have grown up during this

¹ Deputy von Oven in the Prussian Chamber of Deputies, Dec. 21, 1873; also Count Udo Stolberg in the Upper House, Mar. 19, 1875.

² Cf. *Schriften des Vereins für Sozialpolitik*, xxxii. p. 60.

century under the intellectual influence of this, her greatest son. And what were Justus Möser's ideas? At a time when the whole world was striving for the abolition of the old feudal system and was endeavouring to change the condition of peasants, liable to services and the payment of dues, into that of free owners of their land, he came forward as an advocate of maintaining the State of different classes with unequal privileges. He did not actually wish to retain the existing serfdom; he, too, was in favour of abolishing it; but he wanted to replace it, not by free peasant proprietors, but by tenants with hereditary leases, who, though personally free, had to render services and rents to the landlords, by persons who were serfs for two-thirds (*Zweidrittels-Knechte*).¹ He was in fact a strenuous opponent of all emancipation which went farther than this.

Möser has himself explained for us the reason for his position.² He was an official of the States (*Stände*) and naturally feared that, if he were to declare "open war" against serfdom, he would so forfeit their esteem and confidence that they would raise serious impediments to any good that he might attempt. So he became enamoured of the feudal relation between landlord and peasant and made it the starting point and the goal of his whole thought. He applied all the force of his intellect and great erudition to show that free property in the soil was a chimæra, that it never had existed, that it was contrary to the nature of things, and that there was only one agrarian system that harmonised with the essential principle of land tenure. That was State ownership and cultivation of the soil by serfs for two-thirds (*Zweidrittels-Knechte*), i.e. by hereditary leaseholders, who, though personally free, would be under the supervision of landlords (*Gutsherrn*).

Möser's ideal is as follows:—The peasant is not to be the free owner of his farm. Over him is to stand the State and a landlord, to both of whom he has to pay dues, rents, and services; nor is he to have the free control of his farm. He may cut no wood without the consent of his landlord, he may not divide the farm, nor may he encumber it with debts. Contrariwise the whole peasant-farm shall be held in trust for the community, a trust which preserves the rights of the State and the landlord, but against which no creditor can raise any claim, even though it be an outgoing brother or sister. He makes these three provisions to prevent pressure through debt:—(1) It should be forbidden to burden

¹ Vide Justus Möser's *Sämmtliche Werke*. Published by Abeken, 2 ed. Berlin, 1858. iii, 255 ff.

Möser's *Werke*, x, 170.

the land with any loan bearing interest that could be called in ; instead of this he would establish a system of loans on annuities (*Rentenkauf*). (2) A limit should be put upon the amount of liability, and should this limit be exceeded the farm was to be sold by auction. (3) Only one child should inherit the farm ; each brother and sister should have an allowance, each son six shirts, a complete suit and twelve bushels (one *Malter*) of corn ; each daughter a dowry. The peasants may only give more to any one of the children from property which they may possess apart from their farm. Nor is the peasant free to will away the land. He can only dispose of the value of the buildings he has erected and the inventory of live stock and other effects, as he would otherwise not provide them. But Möser was not satisfied with making provisions against debt ; he also took care that they should be obeyed ; this was entrusted to the landlord who, according to this scheme, functions merely as the State overseer of the peasants' husbandry.

Space will not permit us to set forth the whole argument on which Möser attempts to give his ideal an historical and a natural basis.¹ Nor have we room to give his appeal to the to him foreign Prussian Government in favour of limiting to only one child the hereditary succession to the peasants' farms. Despite his impassioned words the statesmen of his time took steps to bring about the very thing he was opposing. On the other hand, for a whole century the feudal party that were opposed to the emancipation of the peasants was to repeat his arguments *ad nauseam*. Rodbertus appropriated Möser's views, both practical and theoretical, wholesale, and gained for them the acknowledgment of the younger generation by emphasising their socialistic bearings. But the real avenger of his rebuff by the Prussian Government of his time arose only from his ashes, when the once enthusiastic admirer of Karl Marx and the former Mayor of Osnabrück—Dr. Miquel—won for himself a leading position in the Prussian Parliament, and finally became the Prussian Minister of Finance.

The fact which first turned public attention again to agrarian reform was the great emigration, especially of the rural population, which took place at the time of the economic expansion after the close of the Franco-German War. This emigration was greatest in those parts of the country which were most thinly populated, and where large estates preponderated. In order to

¹ Cf. my essay, "Justus Möser, the father of the most recent agrarian reform in Prussia," in the *Beilage der Münchener Allgemeinen Zeitung*, 12th and 13th February, 1897.

retain on the land, those who were inclined to emigrate, the idea arose of making it possible for them to acquire a holding. To this end a proposal was made in 1873 to the Prussian Chamber of Deputies, that the Government might sell some State-lands to form larger or smaller peasant properties, where the agricultural and local circumstances might make it seem advisable. Still it was meant that these peasant holdings would be granted to the assignees as free property. It is true that Dr. Miquel had expressed the opinion that it had been unwise to abolish hereditary leasehold so early, and in this, although he belonged to the Left, he had gained support from the Right. In the Upper House Count Krassow stated that he did not believe in absolute success until transfer of the allotments were made for rent instead of for capital. But the members of the Liberal bureaucracy who had carried through peasant emancipation, men like Deputy Schellwitz, opposed the idea of re-introducing hereditary leasehold, and even Count Udo Stolberg in the Upper House still regarded it as not yet possible. The Government yielded to the demand of the Parliament, and in that part of the country where it seemed most needed—in Neuvorpommern where the *latifundia* comprised not less than eighty per cent. of the whole land—two Crown domains were portioned out and sold to peasants as their own property.

The conditions of payment were in themselves not unfavourable. The purchaser was to pay down one sixth of the purchase money before taking possession, another sixth within a year after taking possession—the other four-sixths were to stand over free of interest for five years, and in the next five years to be paid off. But every settler was expected to put up his own buildings. Now this he was not in a position to do; he could not pay purchase money, put up buildings, stock the farm, and wait for the next harvest. The consequence was that he became burdened with debt. But the principal factor which wrecked the attempt was one peculiar to bureaucracy—viz. the red tapeism of the Government. The population in Neuvorpommern was accustomed to live grouped in villages. Instead of these, solitary farms were plotted out for them, and were planned without regard to wood or water. Consequently there was only one settlement that thrived and prospered. This was Upatel in the district of Greifswald. The reason was that the settlers made good, by purchase and by sale, the blunders made when the land was allotted. In the other cases the settlers were once more forced away from the soil. Still, despite these mistakes, in most in-

stances, other reasons of a more personal nature were necessary to bring about this unfortunate issue.¹

The scanty success attending this attempt at land settlement in Neuvorpommern was adroitly utilised by the supporters of hereditary leasehold, who, as we have already seen, had not yet died out. They said it was clear that the plan of cutting up domains into small peasant holdings and making them freehold on payment of a capital sum, would always have two evil consequences: (1) the settlers would begin with a heavy debt in consequence of having to pay the purchase money, to erect buildings and to procure the necessary stock; (2) the peasant holdings thus created by subdivision would ultimately be bought up by the neighbouring large landowners. Therefore some means must be found to avoid the dangers consequent upon this subdivision. Hereditary leasehold would furnish this; and to strengthen their argument its supporters referred to experiments which had recently been made in that direction in Mecklenburg-Schwerin, where the feudal system still prevailed. In Mecklenburg-Schwerin the land is divided into two great halves, one of which belongs to the Grand Duke and the other to the squires. On the latter 607 leasehold and 623 hereditary leasehold farms had disappeared, as well as 117 shares in six *Rittergüter* which had been in the hands of the peasantry. In order to create a new peasant class, a leasing by hereditary farms of grand ducal land to the peasants had taken place since 1867, both in large and small holdings, the average size being 4.34 hectares. These newly created hereditary leaseholders have to pay annually a ground rent which can, however, be redeemed by a twenty-five years' purchase. These hereditary leaseholds are subject to almost the same limitations with regard to disposal as were common at the time of the feudal system, which Möser had desired for his ideal agrarian constitution, and which we shall meet again in the most recent Prussian agrarian legislation—namely, to the prohibition either to divide the property, or to unite it with another property; a change of tenancy was illegal without official sanction; and the larger estates were subject to the law of primogeniture (*Anerbenrecht*) with a limited capacity of being encumbered with debts, while the smaller has equal hereditary rights with the capacity of being encumbered with debts without limit. These measures did not stop the exodus from the country into the towns. It is the unanimous report² that the son of a day-labourer in fixed employ scarcely

¹ Sering, *Innere Colonisation*, p. 166. ² *Ide* Sering, *Innere Colonisation*, p. 135.

ever remains to work on the land, that precisely the more intelligent children of the diligent, superior workmen seldom follow their parents' calling beyond the period of military service, and that they then seek their living in the towns, in railways or in the post office. Very few of the children who were shut out from the privilege of holding land by primogeniture (*Anerbenrecht*) remain as tillers of the soil. Nevertheless the settlement of peasants where formerly there had been only large estates increased of course the number of inhabitants. Thus we find, that whilst the whole population of Mecklenburg-Schwerin increased about 3·15 per cent. from 1867-90, the population on the estates of the Grand Duke decreased only about 1·7 per cent.; but where no peasants had been settled, on the squires' estates, it decreased about 14 per cent.

This diminution in the decrease of the population on the demesnes of the Grand Duke in Mecklenburg was regarded by the supporters of the reintroduction of hereditary leasehold as a confirmation of their hopes. The voices increased which demanded that the Act of March 2, 1850, be rescinded, an Act which had prohibited for the future all hereditary tenure in Prussia. But the Government would not as yet accede to these proposals.

From this time the movement to create a new peasant class by the portioning out of the State lands began to stagnate. Yet it is very remarkable, that at the time when the failure of State Colonisation in Neuvorpommern had discouraged Government circles, private enterprise accomplished, in another part of Pomerania—the district Kolberg-Kösslín—that which State officials could not effect. From the end of the 'seventies until the end of 1891, eleven large estates and one peasant's farm had been subdivided by a business man from Kolberg.¹ A butcher of estates, but an honest man, he is looked upon as the general counsellor, legal adviser and family friend to the peasants. His principle is that he would be ruined if he treated any one settler dishonestly. Even Sering, who believes with all the fervency of a devotee that the future of colonisation lies in the division of private estates aided by more or less intervention of State agency,² is obliged to acknowledge the social importance³ of the fact "that several hundred day-labourers and sons of peasants had been able, in one and the same district, to buy up a dozen landlords' estates

¹ *Vide* Sering, *Innere Colonisation*, p. 169 ff.

² *Vide* Sering, *op. cit.* p. 168.

³ *Vide* Sering, *op. cit.* p. 171.

and make out of them hundreds of efficient new farmsteads, without any other aid than that of a clever business man and without any other financial support than that of private credit." This praise by Sering, who has visited the settlement, is unstinted,¹ and is the more important in that from the first he was disposed to judge unfavourably of the experiment. He goes so far as to conclude from the latter, that it was a good plan to enlist the co-operation of ordinary business folk in founding colonies of this kind, "mediocre officials being too prone to be guided by red-tape routine." Taken together the eleven cut up estates have been reduced, by the subdivision, to one third of their former extent: two thirds of the area have been divided into smaller holdings.

While the principle of free property was so brilliantly asserting itself afresh in Back-Pomerania, political events supervened which were to crown the efforts to restore hereditary leasehold tenure with long delayed victory. We have seen that the social and political considerations which had been most influential

¹ Sering's only hesitation arises from the suspicion that the Kolberg business man, who, as he too admits, has rendered such great service by breaking up the estates in question, has made a profit out of it. "The colonisation at Kolberg was a purely business undertaking," he writes (p. 183), "and therefore from the first is open to the suspicion that even the best points in the scheme are mainly devised to enable the colonists to pay off their obligations, and to permit the increase of these obligations in proportion." This suspicion is certainly to the point, especially when it is remembered that in the eighteenth century the attempts at colonisation made by Frederick William I. and Frederick the Great had no other aim. Sering himself does not go so far as to make a crime out of this effort on the part of the colonisers. He admits that without expectation of gain there will be no advance of colonisation. But he fears that the gain which was earned was too large, although he grants that "the prices which the colonists have paid for their land do not exceed current prices of peasant land in that neighbourhood." This would seem to remove the objections he raises on the score of morality. They would only hold good in the case that the workman had to pay such a high price for the land that he could not obtain from it the safe and assured reward of labour, for which alone he had bought it, and consequently became bankrupt. But Sering himself acknowledges that, even if one third of the settlers had as yet but a feeble foothold, the settlement may be counted a brilliant success. His hesitation, therefore, has not been justified, either in theory or by practical experience. Since Sering expressed this opinion, however, many voices have been heard about the results of colonisation through that State agency on which he holds that its future depends, which have put the Kolberger enterprise in a still more favourable light. In the Prussian Upper House, Baron von Durant, Count von der Schulenburg, and Count Klinckowström have made strong complaints of the mistakes that attached to those very State agencies, charging them especially with having taken far too high prices for the land from the peasants. Count Klinckowström went so far as to assert that holdings for rent, founded by the State, "would be bankrupt very soon if they had no claim on State credit," which certainly is worse than Sering reports regarding the peasant holdings in the district of Kolberg-Kösslin. (Cf. *Stenographic Report of Proceedings in the Prussian Upper House*, 1896, pp. 86, 46, 316.)

in the attempts at the subdivision of land in 1873, had not been sufficient to encourage the Prussian Government to further attempts in the same direction. There now arose a new motive for taking up the question, namely, that of national politics. The need to put a stop to the constantly increasing *re-Polonisation* in Posen and West Prussia, brought the colonisation question again to the fore.

In the year 1886 a bill was brought into the Prussian Diet empowering the State to expend 100,000,000 marks to strengthen the German element in Posen and West Prussia against Polonising movements by settling German peasants and workpeople there. The obstinate adhesion of the old Prussian officials, who had grown up under the traditions of the Stein-Hardenberg legislation, to the principles of free property, is exemplified in this bill. In the transfer of the bought up and subdivided Polish estates to German peasants the bill only provided for transfer by leasehold or as private property. Then it was that Dr. Miquel seized the opportunity to introduce Möser's idea into the legislation. On his proposal, the Chamber of Deputies decided—"That the transfer may be made either as property on payment of capital or rent, or else by lease." It was decided further, that when the land was conveyed for rent the commutation of the latter might only be effected by the consent of both parties, so that the peasant who wished to make himself a freeholder, by paying the capital valuation of the rent, would not be able to do this without the consent of the State which had sold the land. Besides, other limitations from the feudal times were introduced. It was decided to make it permissible, when an estate was sold, to exact from the purchaser a promise neither to divide nor to sell any portion of it; further, the transferee of the estate may be compelled, according to agreement, to insure the full working efficiency by keeping up the buildings and a certain amount of stock, &c. In case the party to whom rent is paid refuses to accede to the wish of the tenant to subdivide the property or alienate any portions of it, permission to do so may be granted on appealing to the magisterial decision of a special State land-court, or board of arrangement (*Auseinandersetzungsbehörde*). By the same means a tenant may be freed from the obligation of maintaining the self-sufficiency of his holding. But this permission is not to be granted if the wished-for alteration is merely in the individual interest of the tenant, but only if it is in keeping with, or seems to be required by, the "common interest," or, as it was un-

officially announced,¹ by reasons of State. The product of selling the Polish estates to peasants is to go, till 1907, to a fund for further purchase, and after that to public revenues.

The bill became law, and created a new type of tenure, namely, rented land, or portions of soil held by an inheritable, alienable title charged with a fixed rent.

The only new feature is the name "rented" holding (*Rentengut*); *de facto* it is the old system of hereditary leaseholds, the restoration of which in Prussia had been prohibited by the Act of March 2, 1850. By this law heritable portions of land might not be conveyed otherwise than for redeemable fixed money rents; nor might the redemption of the same be deferred by contract for more than thirty years. Henceforth the conveyancing was to be in exchange for rent, the redeemability of which was to be determined on by both parties, that is, in exchange for rents which were actually non-redeemable.

National considerations determined the majority to consent to this restoration of an over-lordship. Having made the sacrifice of a hundred million marks in order to create a new German peasant class in the Polish districts, they desired to give the State the means of keeping these newly created peasant farms in the hands of Germans. Therefore the State, as the seller, was always to retain paramount authority over the farms that were sold. The same reasons served to justify the stringent limitation of the seller's right of disposal—that which forbade him to divide, or alienate any portion—as also the obligation imposed on the settler to "maintain the economic independence of the property," *i.e.* that he was not to unite his farm with any other. All these stipulations were looked upon merely as the means which the State should have at its disposal in order to insure that the peasants' holdings should remain in the hands of Germans. The reasons of State—or as the Act expressed it, the "common economic interest"—which gave rise to such measures seemed indeed to justify these details as necessary to its execution. Nevertheless it is very remarkable that the idea should again have arisen which holds that the economic interests of the individual are to be regulated by the standard of reasons of State, and not according to his own free will or for his own advantage as such. At that time the standard reason of State was the interest of German nationality as opposed to that of the Pole.

But now matters were carried further. After restoring the heritable leasehold, as a political move against the Poles in two

¹ Cf. *Schriften des Vereins für Sozialpolitik*, lviii. 74.

provinces only, its most enthusiastic adherents knew how to make the principle of the rented holding subservient to their entire agrarian policy.

The chief drawback to agriculture east of the Elbe lies in the fact that large estates have, to a considerable extent, done away with holdings of medium and smaller size, with the result that it is poor in capital and burdened with debt, and that, the peasant population being too sparse, there is not a sufficient supply of resident labourers. The rented holding appeared likely, by remedying these evils, to reconcile the most conflicting interests.

One of the main reasons which hitherto had restrained the landlord from diminishing his estate, and from settling a free peasant class near to himself, had been class interest, or, as it may be called, class prejudice. In the greatness of his landed estate he saw and still sees the end worthiest to be striven after and the source of all the glory of his family name; consequently he endeavoured both to preserve that estate in its entirety and to increase it. Besides he could never brook the abolition of the feudal relationship between landlord and peasant, and rather than have for a neighbour a peasant with rights equal to his own, he would have no neighbour at all. Hence the peasants had been bought out. But he would gladly have had peasants who would serve him as so much labour-power.

But even where class prejudice did not restrain the landowner from lessening his estate by transfer, two important motives prevented its sale; either the obligations of the entail, which required the consent of the heirs in tail before any portion could be alienated, or else a mortgage liability, because, all the estates, belonging to the Credit Society (*Landschaft*) being held as collective security for a debt on any one of them, grave difficulties beset the alienation of any portions.

But now if the landowner were allowed to convert his estates, either in whole or in part into rented holdings, it became possible for him on the one hand to transfer that estate—no matter whether it were held in entail, or by ordinary manorial right—and yet, as lord paramount, to retain the whole; while, on the other, the desired peasant holdings would be created. It is true that these peasant holdings owed the landlord certain dues—viz. they had to pay him rent. It was even within his power, when establishing these rented holdings, to stipulate that, instead of rent, certain services should be rendered, especially at the time of the hay, corn, or potato harvest. Undoubtedly the Commutation Act of

March 2, 1850, had made it illegal to impose hereditary service-dues in future on any new tenant, but the landowner who creates a rented holding can secure this pledge of service from all legal successors of the first purchaser, who are not sole successors, by setting up a right of pre-emption.¹ While he can use this right of pre-emption against those legal successors of the first purchaser who refuse to undertake to render him services, he can also prevent any but those who will undertake them from obtaining a rented holding.

The landowners had no objection to a neighbouring peasantry bound by such dues and services. It was not even necessary to make any explicit stipulations respecting service-dues in order to attain to the actual disposal of the services of the settlers. All that was required was not to make the rented holdings too large. So long as they confined themselves to setting up small holdings, the tenants and their families were anyhow compelled to seek supplementary means of earning money. As soon as the peasants on these rented holdings had any spare time, so soon would the landlord have workers and servants in the grown-up children. If they could but find work in their own neighbourhood at the ordinary wage of the district, they would not go further.²

The rented holding, then, seemed specially adapted to remove the prejudice of the landowner against the partition of his estate by the establishment of peasant holdings. He even liked it, because it promised him something like a return to the old relations of lord and peasant. By the creation of these rented holdings he did not diminish the size of his estate, and he was able to retain the resident labourers that were lacking.

In the same way the rented holding overcame the difficulty which heirs in tail might raise against parting with any portion of the entail. The rent paid by the occupier of the rented holding would compensate the heirs in tail for any part of the estate that had been alienated. In the same manner the difficulty which a mortgage placed in the way of any such partition was removed, so long as care was taken that the capital value of the

¹ The form of transfer of a rented holding imposing these services on a purchaser, and through which the vendor, by means of a right of pre-emption, secures for himself and his successors, the perpetuation of this pledge from the peasant, is given in *Die Preussischen Rentengutsgesetze nach Theorie und Praxis*. By Paul Waldhecker, Regierungsrath. Berlin, 1894, p. 70.

² Cf. the account by Regierungsrath Waldhecker *op. cit.* p. 71, in which he shows that this stipulation for services from the peasant, and right of pre-emption on the part of the great landowners, is inopportune and indeed unnecessary.

rent to be paid by the rented holding was made subservient to cover that part of the mortgage which fell on the alienated part of the estate.

Thus, if a landowner's estate was too large to be worked satisfactorily with the capital at his command, or if he had acres lying far away from his seat and therefore unprofitable, or wished to increase the deficient working population by settlements, the establishment of rented holdings seemed advisable. And he was able to do this when the Act, which was first made for Posen and West Prussia, was extended to the whole of the kingdom, with this alteration, that permission was granted, not only to the State, but also to individual landowners, to create these rented holdings.

In many cases landowners, who would have found it impossible to pay off their debts by the sale of their entire estates, had a prospect of becoming solvent by cutting them up into rented holdings. At the same time this establishment of rented holdings in all neighbourhoods would recreate a peasant class where the course of events had resulted almost in their extinction.

These considerations led to the passing of the Act of June 27, 1890. By this act the "conveying of land as property in return for a fixed rent, the commutability of which was to be agreed upon by both parties," was made legal through the whole of Prussia. In other words, not only the State but each individual landowner was allowed to hand over the use of his estate to peasants, in return for a rent which could not be commuted. Landowners were also empowered to subject all purchasers of rented holdings to the same conditions as those imposed by the State under the Act of Colonisation of 1886, so far as it applied to the partition of their estate, the alienation of parts and the uniting of the same with other property. The jurist trained in Roman law would certainly regard these limitations as incompatible with the term "conveyance of land as property." But the definition of property, as implying the unlimited right of the owner over a thing, had long been said to be in contradiction with the spirit of the German nation. And so it came to pass that property could be conveyed by the sale of a rented holding without contradiction in terms, though only an emphyteusis was constituted. But a more important matter than that of jurisprudential construction is the fact that through the Act the universal restoration of the paramount authority of the landlord of his territorial suzerainty became possible. The Act of 1886 had only conceded this with the State as lord paramount in two provinces, and in the political

interests of the nation. It had been considered necessary to forbid the commutation of rent, in order that the State might always be able to control the peasantry on those properties which national policy had created. It was then bluntly admitted, that it was the intention of the Act to found a new territorial jurisdiction of the State over the peasants. But now by the Act of 1890, those rights which the State obtained for exceptional reasons in two provinces politically exposed to danger, were extended to all landowners throughout Prussia, thereby creating the possibility of restoring the old over-lordship universally.

What a triumph for those Prussian lords who had remained faithful to their feudal opinions ever since the beginning of the century, and had always withstood to the bitter end the reforms of Albrecht Thaer, Baron vom Stein, and Prince Hardenberg ! And yet this only placed the possibility of an opposite principle side by side with that of free property. Still the means were wanting to convert this legalised possibility of restored landlordship into a fact, and there were wanting also a number of particular measures for the complete carrying out of Möser's idea. This was not to come until the man who had been the moving spirit of this entire agrarian reform, Dr. Miquel, became the Minister of Prussian Finance.

(To be continued)

MR. CHAMBERLAIN AND COLONIAL COMMERCE

THE gradual decline of agriculture as the leading national industry is producing effects which are already reaching beyond its own domain. We are familiar with that phase of its action under which the population of the agricultural districts seeks relief and employment by migration to the towns or by emigration. The day is fast approaching when this movement and loss of country population must assume a most serious aspect in connection with the problem of National Defence. If, or when, the depletion of the agricultural districts reaches, as it apparently must (unless some new and as yet invisible factor enters upon the scene), such a point that the country can no longer supply the life-blood of the towns and the fighting material of navy and army, then a most critical stage in the history of the British nation will have been reached.

But this question of the decrease of the non-industrial population of the kingdom has also a most important commercial aspect which is insufficiently weighed by men of business, if not also by economists and publicists. The country population is the backbone of our home trade. If agriculture wanes and becomes impoverished, its decreasing purchasing power must react upon the home trade. Now the home trade has always been considered to be the very core and kernel of our commerce. If it suffers, all else is unhealthy; if it is good, the condition of other trades is relatively immaterial. The commercial classes, then, cannot afford to lose their agricultural consumers, even when they may be indifferent to their status as food producers. Nor can the nation look with equanimity on the decrease or emigration of the best blood and fighting stock of the country.

But there is yet another aspect of the crisis in agriculture, which, notwithstanding this apparent diversion from, really leads up to, the subject of this paper. It is that of the decreasing financial quota of the agricultural classes. With the falling off in population and earning power, it is but natural that the con-

tribution of the agricultural sect to the national exchequer is a diminishing quantity. Notwithstanding the political fact that "taxation and representation" is no longer a political principle, the old principle which unites these two factors indissolubly still holds good in the estimation of the Treasury Bench. Consequently, whatever may be the sympathetic interest which the losses of agriculture may arouse, the active attention of the governing classes will still follow the evident sources of national revenue which are now increasingly commercial and decreasingly agricultural.

The reason of our temporary digression to the subject of agriculture is now apparent; but the parenthesis is not yet closed.

Mr. Secretary Chamberlain's circular of December, 1895, whilst it may be welcome to many, particularly to those interested, may be viewed with suspicion by others, especially by those whose minds are worried by doubts as to the economic judiciousness of any steps tending towards State Socialism. Now, whatever may be the merits or demerits of so-called State Socialism, there can be no doubt that it is on the increase, and it seems to me that in this Journal I should be neglecting a paramount duty if I omitted to record the fact in this special connection. State Socialism, as far at least as that term applies to action now taken by government departments, which in days past was assumed by private initiative, is now becoming general throughout all the public departments.

The Board of Trade was one of the first offices to be influenced by the new spirit of State interference. It is charged, on behalf of the public, with duties and supervision in regard to safety in travelling by land and sea. It controls, from the point of view of security, electric installations, and it is responsible for the financial morality of the nation in regard to bankruptcy and public company legislation, and the procedure in winding up estates thereunder. In addition to its statistical functions in compiling and publishing our 'Trade Returns' and commercial treaties, it has audaciously concerned itself not only with the record of strikes and trades disputes, but actually even with occasional settlements of this modern phase of civil war. It would carry me far beyond the scope of this article even to summarise the functions of other public offices, such as the India Office with its 250,000,000 of subjects; the Local Government Board; the Board of Agriculture and its new functions; the Post Office with its remarkable and profitable business; the Patent Office, almost equally remarkable as a money-making

concern; and the Home Office with its recent developments. It suffices for all practical purposes to briefly allude to these to prove that the Colonial Office in its latest action is strictly following precedents set by sister departments—particularly that of its active and useful neighbour, the Foreign Office—in adapting itself more closely to modern, and particularly to commercial, requirements. Even were the Colonial Secretary disposed to ignore these latest developments of other departments he would not be able to close his eyes to the greater activity displayed by foreign governments in seeking to obtain a share in our foreign, and particularly in our colonial trade. It is perhaps only human, but it is at least humanly inconsistent, that whilst foreign governments attempt by every device which protectionist ingenuity can suggest to exclude our goods from their markets and especially from their colonies, they seem increasingly willing to secure the largest possible advantage from our generous practice of admitting their subjects, their goods, and their capital into our colonies and possessions on the same terms as our own. So accustomed have our continental and transatlantic competitors become to this condition of things, that they amend their customs tariffs and regulations without consulting or notifying us, introduce export taxes, apply bounties, and act in regard to all economic finance exactly as if they could rely upon our remaining indefinitely *une quantité négligeable*. France is a special culprit in this respect. She has departed in her treatment of us absolutely from the economic basis of 1860, yet great would be her astonishment, and probably also her indignation, if we attempted reciprocal action. Nevertheless France is quite accustomed to retaliatory proceedings from Germany, Switzerland, and Spain. She even agrees to negotiate more favourable terms with the governments of those countries as a result of tariff warfare, where she not only fails to make concessions to us for not increasing our dutiable scale, but actually penalises us for adhering to the rates of 1860. Such is the French idea of equity, justice and honourable obligation. Much of the existing friction between France and England on political questions arises from this economic deviation. Interests of long standing have been violated, less foreign capital is invested in French trade, and France consequently possesses fewer commercial friends to defend her financial inconsistencies. French statesmen and French officials cannot realise that trade requires two parties (and not one only as they persist in believing) to be interested in its operations. So that an exaggeration of protection, such as France offers to the eco-

conomic student, not only fails to produce one-sided commerce and one-sided profits, but it exercises a decidedly disintegrating effect even on political alliances, and by decreasing the business interest of nations in one another eliminates those feelings which, at moments of national crises, tend to reduce friction and jealousy. History repeats itself, and it would not be surprising to those who reflect and observe to find that the conditions which have arisen in France since 1870 are about to repeat themselves, with differences in details only, in regard to Germany. France, with a diminishing population and a financial position very much less satisfactory than it was twenty-five years ago, can be safely left to take care of itself. But Germany is as active and progressive as France is dormant. The very financial burden of armed defence which menaces to overwhelm France will probably urge Germany to seek new outlets for her commercial and industrial enterprise. The complications which are likely to arise have been already foreshadowed first in West, then in East Africa, and latterly in the Transvaal.

Under such circumstances it is but natural that a Secretary of State for the Colonies in a strong government, a man of business training and ideas, should find his opportunity in an attempt to give practical shape to the aspirations towards Imperial Federation and closer relations between the mother country and the self-governing colonies which have been germinating in the public mind for years past. During those years a simultaneous change has come over public opinion both at home and in the colonies. At home the selfish and ignorant precept of 'perish the colonies' has been dismissed for ever. In the colonies the discovery has been made that the mother country is by no means so useless, either for financial purposes or as a consumer of produce, as the younger generation of colonists at one time appeared to think. In fact self-interest has of late years been drawing the English-speaking nationalities more closely together, just as the absence or diminution of that factor has been reducing the friendly feeling amongst older peoples. This position did not escape Mr. Chamberlain's observation, and he has turned the opportunity to account in the practical manner which is characteristic of the man and of his generation.

The fact is that the 350 millions of subjects of the British Empire contain in themselves the elements of the largest producing and consuming entity which has ever been known to trade. Speaking mainly the one language, governed by the same or very similar laws, employing identical coinage, weights, and

measures, reputed for the same good faith and credit, constantly increasing in numbers, possessed of the same energy and enterprise in business undertakings, the British peoples possess, within themselves, resources of trade which are inexhaustible and might in time and by careful development become self-sufficient. The idea of unity therefore which has become known under the term Imperial Federation, is much more than a sentiment; it contains elements of the most practical character, it reposes on that basis of self-interest, of give and take, by which alone nations are permanently drawn together. If this interest can be enhanced, if the volume of exchanges can be increased, if the business relations between the mother country and the colonies can be judiciously augmented, then both parties to this development will be less and less dependent upon the trade of other nations. And if less dependent they will be in a better position to control the economic policy of those countries with whose exchanges they would be in a position, if need be, to dispense.

With reference to the mother country, there are three great problems of its national life which those who are responsible for its government can never afford to lose sight of for one moment. These are in the order of their importance: 1. National Defence; 2. The Food Supply; and 3. Emigration. Defence has of late years attracted so much attention that it need not be dealt with here. From a military point of view the question of Food Supply is involved in that of National Defence, for if our naval and military armaments did not in time of war suffice to keep open our trade routes, and to secure the safe and regular arrival of the food on which we depend, and which we derive to a greater and greater extent yearly from foreign and colonial sources, then it would be but a question of weeks before we should be starved into capitulation. If it were a recognised feature of modern warfare to declare food to be contraband of war, and to forbid its carriage even in neutral bottoms, it might occur that, in the event of this country being engaged in war with one or several powers, our dependence on outside food supplies would be utilised against us. Recent events have proved that it might not be safe to rely on supplies from either the North or South American Republics or from Russia. Our own colonies are not yet in a position to provide more than a portion of our requirements, either of grain or meat. Is it not here imperative that those trade routes by which our supplies habitually reach this country should be rendered secure against outside attack? This can only

be done by maintaining our fleet in the highest state of efficiency and at a strength sufficient to meet modern contingencies.

The question of emigration is one of which public and even parliamentary opinion has, we venture to think, failed to realise the full significance. Yet it is through emigration that the British Empire has been established. The concession of independent government to the majority of our colonies has, in our opinion wrongly, detracted from the amount of interest which the emigration question deserves, in consequence of some colonies having evinced a desire to restrict and control the flow of emigration. Such action is only an additional reason why greater attention than ever should attach, at home, to the emigration movement. This contention is based upon the fact that the British emigrant located or settled in a British colony consumes a much larger amount of British manufactures than when he becomes incorporated in the population of a foreign country. It will therefore amply repay this country to exercise some supervision over its emigration, and possibly even to assist intending colonists to locate themselves under the British flag. British manufacturers, merchants, distributors, shipowners, brokers, and bankers are all interested in this problem. Colonial governments are equally interested and if properly approached would probably be induced to amend prevailing views, which are mainly political, on this matter.

That the pocket interest of the mother country in emigration is no small one may be gathered from the following figures. The consumption per head of population of British produce in the colonies averages nearly £3·25 per head, whereas the similar value per capita of foreign consumers falls as low as £0·74. A colonial customer is therefore more than three, nearly four times more valuable than a foreign consumer. These figures are strengthened in favour of colonials, and weakened against foreigners on detailed examination. The highest amount of consumption per head in the colonies is £8·75 in Hong Kong and the Straits Settlements and £6·89 in Australia, as against £2·22 in Holland, £2·62 in Argentina, £1·25 in Belgium, and £0·43 in France. The lowest colonial per capita consumption is £0·16 for the 250 millions of British India and £1·37 in British North America. Amongst foreign nations the amounts fall as low as £0·03 for Austria Hungary, £0·06 for Russia, and £0·13 for Japan whilst the larger European countries are all below 10s. each. In view of recent events in the United States the figures for that country are particularly interesting. For the last eleven years

the average consumption of British merchandise per head is £0·67, or but a fraction over one-fifth of the average colonial consumption.

The bearing of these figures on the emigration question is now apparent. If a British subject settles in the United States of America he only consumes £0·67, or less, of British produce. If he goes further afield, say to Australia, he improves in value as a consumer of home-made articles to the amount of £6·89, or nearly ten times more than if he had crossed the Atlantic. In other words, one British emigrant resident in Australia consumes as much British produce as ten similar emigrants settled in the United States of America. Not only do these figures prove that 'trade follows the flag,' but also that it might be worth considering, from the national point of view, whether it would not pay in the long run to devise a system of State-aided or State-directed emigration, for the purpose of utilising so important an element of consumption and production as our emigrants are now proved to be when settled under the British flag.

The statistics of the trade of our Colonies and Possessions do not indicate any development of direct business relations with foreign countries which need be considered alarming. It is in the nature of business that it should seek, and eventually attain, the most direct channels. But it also follows preferably the line of least resistance, and that, thanks to our superior financial methods and to the excellent organisation of ocean transport, continues to be the direct line to our own ports. We must expect however that competing countries will strain every nerve to diminish our predominance as distributors of colonial produce. Occasional leakages must take place, but there seems no reason why we should not retain much of, and also continue to extend, our existing trade. The figures of the last available ten years show no noticeable shrinkage, even allowing for the considerable fall in values which has been a feature of that period. It is perhaps only to be expected that the returns relating to our own Possessions and Crown Colonies are on the whole more favourable than those of the self-governing colonies which have not yet reached either economic or financial stability. Still the figures are satisfactory throughout, and while it is but wise to scrutinise and follow closely the attempts of competitors to encroach on our valuable preserves, those efforts are, as yet, only nominal in their results.

Our Indian Empire ranks naturally first, with its immense population, as our largest colonial market. The average total value

of its annual exports for the quinquennial period 1885-89 was 79 millions sterling, and this average amount increased for the period 1890-94 to nearly 89 millions. The imports into India for the same dates reached 90 and 108 millions respectively. The direct trade of India with other countries is relatively small, and is not as large as with other portions of the British Possessions. Thus the Indian imports from the United Kingdom reached a yearly average of 57 millions sterling throughout the five years 1885-89, and this increased to nearly 62 millions yearly for the period 1890-94. From other British colonies India imported for the same quinquennial periods as follows :—from the Straits Settlements 1·9 and 2·7 millions ; from Mauritius 1·5 and 1·8 millions ; from Hong Kong 3·4 and 4 millions ; from Australasia 1 and 1·3 millions. The Indian imports from foreign countries for the same periods are in striking contrast to these : from the United States 1·7 and 1·7 millions ; from Germany 0·16 and 1·4 millions ; from Belgium 0·3 and 1·4 millions ; from France 1 and 1·2 millions ; from Austria 0·8 and 1·2 millions ; from Persia and the Persian Gulf 0·7 and 0·9 millions ; and from China 1·1 and 1·6 millions.

The export trade from India shows a greater development during the ten years under review, together with a more noticeable growth of its direct trade to foreign countries, particularly to Germany, during the last five years. The exports from India to the United Kingdom attained a yearly average for the period 1885-89 of 35 millions sterling, and for the years 1890-94 of 37 millions. Amongst British colonies India exported to the Straits Settlements to the value of 4 and 5·2 millions ; to Ceylon 2·5 and 3·5 millions ; to Mauritius 1 and 1·4 millions ; to Hong Kong 10·2 and 9·1 millions ; and to Australasia 0·8 and 1·1 millions. Amongst foreign countries during the corresponding years India exported to Germany 0·7 and 5·3 millions ; to Belgium 3·7 and 5·2 millions ; to France 7·7 and 9·3 millions ; to Italy 4·1 and 3·6 millions ; to Austria 2·5 and 2·8 millions ; to Egypt 3·1 and 4·8 millions ; Arabia 1·1 and 1·2 millions ; Persia 1·5 and 1·9 millions ; China 3 and 4·5 millions ; Japan 0·6 and 1·3 millions ; and the United States of America 3·4 and 3·9 millions.

The Dominion of Canada ranks next in order of importance as a self-governing colony, with its population of over 5 million souls. Even if the various colonies of Australasia be lumped together, as is so often done, they will then only just exceed 3½ millions of inhabitants. Taken separately, the largest, New South Wales, possesses only 1½ million inhabitants. So Canada

comes undoubtedly second in order of importance amongst our colonial possessions in extent of territory, population, and amount of trade.

For the quinquennial period 1885-89 the annual average value of Canadian imports amounted to 22 millions sterling per annum, and this amount had increased during the following five years to over 26 millions sterling yearly. The exports amounted for the first period to an annual average of 18 millions, and this increased in the second period to 22 millions per annum. In regard to the subdivision of its trade Canada differs, owing to its geographical position, from most of the other colonies, inasmuch as the mother country is not its principal customer, except for exports. The United States of America is the principal outlet for Canadian trade, but in exports the mother country has been steadily leaving the United States of America behind, and now takes fifty per cent. more of Canadian produce than its more immediate frontier neighbours. This fact may partially explain Canadian support of Imperial Federation; for it is apparent that the consumption of Canadian produce by her American neighbour does not increase in proportion to the growth of its population, whereas her exports to England (whose population is much more stationary) is distinctly on the increase. The figures of the import trade are for the five years 1885-89: an annual average of 8 millions sterling from the United Kingdom; from the United States 9·7 millions; and from Germany 0·6 millions. For the years 1890-94 the average amounts per annum are: from the United Kingdom 8·6 millions; from the United States 11·1 millions; and from Germany 0·9 millions. In regard to her exports Canada has a record of an annual average of 8·5 millions sterling to the United Kingdom for the years 1885-89, increasing to 12·1 millions annually for the years 1890-94. The corresponding figures for the United States are 8·2 and 8 millions.

Turning to the Australian colonies we find that in New South Wales the population has increased from 1,132,234 in 1891 to 1,251,450 in 1894. The trade figures for the same quinquennial periods already mentioned are for this colony 21·7 millions sterling annually of imports in the first period, falling to 20·5 millions in the second. The exports mark an increase for the same dates, the amounts being 19 millions sterling during the first, and 22·7 during the second period. The analysis of the figures of the imports of New South Wales indicate that she derives the incoming merchandise mainly from the United Kingdom, then from other Australian colonies, and from foreign

countries almost exclusively from the United States and that not in increasing quantities. The exact amounts are: from the United Kingdom an annual average of 9 millions sterling during the first quinquennial period, and 8·3 millions yearly during the second. From Victoria she imports an average of 2·8 and 2·2 millions; from South Australia 1·3 and 1·6; from Queensland 3·3 and 4·6. From the United States 0·9 and 0·8 millions. So the intercolonial trade has developed during the ten years, whilst the British and foreign has slightly decreased. There is also an almost uniform diminution in the export figures. To the United Kingdom, New South Wales shipped an annual average of 7·9 millions during the first period, and of 7·6 during the second. To Victoria the values are 4·3 and 4·5; to South Australia, 3·6 and 1·8; to Queensland 1·3 and 1·9; to France 0·7 and 0·1; to Germany 0·7 and 0·1; to Belgium, 0·1 and 0·6; to the United States 1·2 and 0·9.

Next in importance amongst Australian colonies ranks Victoria, with a population which is nearly stationary, the figure for 1891 being 1,140,405—that for 1894 only 1,179,103. This movement is reflected in its trade returns, which are retrogressive in the imports and with a nominal increase only in the exports for the entire period of ten years. The Victorian imports progressed from 18 millions sterling in 1889, to 24 millions in 1895, giving an annual average of over 20 millions for the five years. From 1890 to 1894 these amounts regularly decreased from 23 millions at the first date, to 12 millions at the last, giving an annual average of 17·5 millions. The exports show a mean annual value of 13 millions sterling for each of the first five years, increasing to 14 for the second period. The countries from which Victoria derives her import merchandise are mainly England, New South Wales, New Zealand, and the United States of America—the latter to an infinitesimal amount only. The figures for the two periods under review are: from the United Kingdom 9·7 and 7·2 millions sterling yearly; from New South Wales 5·3 and 5·2; from the United States 0·9 and 0·6; from New Zealand 0·7 and 0·6. As regards exports, the United Kingdom, two Australian neighbours, and France are the principal consumers of Victorian produce. The amount of trade was stationary during the ten years. The United Kingdom purchased an average of 7 millions sterling throughout both the first and the second five years. New South Wales took respectively 2·6 and 2. France is entered for 0·2 and 0·8, and South Australia for 0·6 and 0·6.

New Zealand follows Victoria both as to population and

amount of trade. The number of inhabitants increased from 626,658 in 1891 to 686,128 in 1894; the latter figures about equivalent to the single town of Glasgow. The values of its trade for the ten years under the examination have been stationary on the import side and progressive on the export side during the first five years, but without improvement since 1889. The average imports reached the amount of 6·5 millions sterling during the years 1885-89 and 6·7 millions for the period 1890-94. The exports rose from 6 to 9 millions from 1885-89 giving an average of 7·5 millions, remaining stationary at 9 millions yearly until 1894. The countries supplying the items of its import trade are in their rank of precedence the United Kingdom, New South Wales, Victoria, and for a nominal amount the United States of America. The average yearly values throughout the first five years are: for the United Kingdom 4·3 millions; for New South Wales 3·5 millions; for Victoria 0·6 millions; for the United States of America 0·3 millions. For the second period the respective amounts are: for the United Kingdom 4·4 millions; for New South Wales 0·6 millions; for Victoria 0·6 millions; and for the United States of America 0·4 millions. The chief customers of New Zealand are the same as those which supply her imports. The increase of export values is due entirely to increase of her trade with England. The United Kingdom took an annual average of 5·3 millions for the five years 1885-89; New South Wales 0·8; Victoria 0·7, and the United States of America 0·3. During the second period the United Kingdom is debited with 7·6 millions annually; New South Wales with 0·7; Victoria with 0·5, and the United States of America with 0·5.

Queensland had a population of 393,718 in 1891 and of 445,155 in 1894, or about the equal of the town of Birmingham. Its trade for the ten years has been almost stationary inasmuch as the loss on the import trade during the last five years is almost exactly balanced by the increase of its export trade during the same period. The precise figures are: for the imports, 6·2 millions during the first, and 4·6 during the last quinquennium. Queensland imports mainly from two countries, the United Kingdom and New South Wales. The value of sales to these two amount respectively to 2·8 and 2·1 millions to the United Kingdom; with 2·3 and 1·5 millions to the sister colony. Its exports go principally to the United Kingdom and New South Wales, the values being 1·7 and 3·3 millions yearly to the first and 3·7 and 4·9 to the second of these destinations.

South Australia, with a population of 82,072 in 1894 (or not more than that of Wolverhampton), is apparently in a more

healthy commercial position than the larger Australian colonies, as her ten years' trade shows decided improvement in both import and export branches, although the financial troubles from which the new states at the antipodes have suffered are traceable in a diminution of the South Australian returns since 1891. But the averages for the quinquennial periods indicate improvement. On the import side the annual averages for the ten years are 5·5 and 8 millions; on the export side 5·9 and 8·6 millions. South Australia imports no foreign goods, its supplies being drawn exclusively from the United Kingdom, New South Wales, and Victoria. For the double period of five years, the United Kingdom is credited with 2·2 and 2·3 millions per annum; New South Wales with 1·6 and 3·6; and Victoria with 0·8 and 0·8 millions. South Australian exports go to the same countries which supply her imports, the United Kingdom taking 3·2 and 3·7 millions yearly; New South Wales 1·2 and 2·8 millions; and Victoria 0·5 and 0·6 millions.

Tasmania is a small colony with a population of little more than the town of Sunderland (154,000), but its trade only amounts to three millions annually, and is divided almost equally between the United Kingdom, New South Wales, and Victoria.

West Australia ranks last in order of importance amongst Australian colonies for the year 1894, the last for which returns are to hand, but it is probable that the large investments of British capital which the development of the gold industry in that colony have attracted will very soon cause it to assume a position of much higher importance. Meanwhile, West Australia had in 1894 a population of only 157,456, or approximately that of Cardiff (a small number, surely, to receive the concession of separate government!), and records a trade which hardly exceeds an average for both exports and imports of three millions sterling. These exchanges are effected with the mother country, Victoria and South Australia.

Next to Australasia our most valuable colony is that of the Cape, with a population of 1,711,847. Its trade is steadily on the increase, the figures of 1894 being in both exports and imports nearly double those of 1885. The annual average for the first of the two periods of five years which have been under review are 6·5 millions and 10·3 millions, on the import side; and 8 millions and 12 millions on the export side. The United Kingdom, Germany, and the United States of America are the three main sources of supply of imports into Cape Colony, the figures being 5·5 and 8·3 millions annually from the

United Kingdom; .07 and 0.2 from Germany; 0.14 and 0.36 from the United States of America. The exports on the other hand are almost entirely to the mother country, amounting to 7.3 and 11.5 annually for the two periods in question.

The Straits Settlements represent a colony of a very different order. With a population of over half a million it has a trade of over 21 millions annually on the import side and above 19 millions on the export side. It buys goods from England, India, Hong Kong, Sumatra, Siam, and the Malay Peninsula, but the values from Germany are small. It exports to the United Kingdom, India, Hong Kong, France, Siam, the Malay Peninsula, and the United States of America, but Germany again does not attain any importance in this trade.

It would appear from these figures, that as far as official returns are trustworthy (and we know that owing to the practice of assuming that the landing port indicates the destination of the goods they are not always to be accepted implicitly), the outcry against German competition is either exaggerated, or has attracted more attention than its real importance deserves.

Since the colonial official returns fail to show the existence of this foreign competition to any appreciable amount, it is most desirable to ascertain from other sources whether it does or does not exist. If it does we should be informed of its extent. This knowledge the replies of the Governors of Colonies to Mr. Secretary Chamberlain's circular will supply. And as patterns of foreign-made articles which are alleged to be supplanting those of British origin will accompany those replies, both manufacturers and merchants will be able to check the statements and to compare the samples with their own. There are those who contend that the interested houses, whether merchants or manufacturers, are already in possession of this knowledge. They affirm that their everyday experience teaches them precisely what articles are supplied from home and which from foreign sources, and at what differences of price. They assert, therefore, that the Colonial Office inquiry will teach them nothing. But this knowledge, even if possessed by the privileged or interested few, is certainly not general, and if our manufacturers are unable to compete with foreigners in certain articles it ought to become more widely known what those articles are. Inquiry can then be made into the causes which militate against their production in this country. It is worth ascertaining these facts, and there is every reason to believe that Mr. Chamberlain's circular will elucidate them.

KENRIC B. MURRAY

Secretary of the London Chamber of Commerce.

BRITISH TRADE AND GERMAN COMPETITION

So long as the shadow of trade depression hung over this country, the controversy as to the relative progress of German and British trade excited no small interest in all classes of the community. Now that we are able to welcome more assured signs of trade revival, it may be expected that, for a time, the outcry in relation to foreign competition will be less audible. Cabinet Ministers have repeatedly assured us that matters are far less serious than pessimist orators and writers represent, and we are promised ample confirmation of their statements in a forthcoming report dealing with the question in a detailed and practical manner. It may not be without advantage, without waiting for this report,¹ to attempt to show that the material already available, when fairly examined, is far from lending support to the view that England has been already beaten in the contest for the supremacy in the world's trade. The method adopted will, in part, be that employed in articles published in the *ECONOMIC JOURNAL* in 1894, the results of continuing to the latest available date the comparisons there made being indicated. But, further than this, a closer and more careful examination of the records has thrown some side-lights on the material, which possess no little interest in view of certain popular delusions.

In using the various statistical records which are naturally relied upon for evidence, we need to adopt some systematic method of comparison. A suitable selection of dates, especially if they be differently chosen for the two or more countries whose trade is compared, may permit of a presentation of accurate figures which nevertheless suggest entirely false conclusions. Two points will be kept in mind in respect to this selection of dates for comparison. The one, that exceptional but temporary fluctuations must not be allowed to prejudice the case: this will be, in part at least, avoided by comparing, not single years, but groups of three years. [Larger groups of years would be more

¹ Since these pages were printed, the Report has been published.—EDITORS.

suitable for some purposes, but their use would involve too great appearance of artificiality.] The second point is that progress cannot be justly estimated by comparing merely the conditions of the middle of a trade-depression with those of years when trade-revival has reached its utmost development. The year 1883 should be compared with 1890, the year 1886 with 1894, if we would measure progress fairly; better still, make both comparisons, and modify them in the manner stated a few lines back.

The very generally credited statement that Germany and some neighbouring nations are increasing their exports of domestic produce far more rapidly than our own country needs modification when the whole of the figures are viewed together, not, as is commonly done, a comparison made of the movement from some one date to another.

Viewing the German export trade first, it is a striking, but much neglected, fact, that since 1883 there has been as much downward as upward movement in the changes from year to year. After an almost unbroken rise from the date of the earliest figures, 1872, till 1883, the movement was reversed in 1884 and 1885, the lowest figure reached being fully $12\frac{1}{2}$ per cent. below the record of 1883. The exports of British and Irish produce from the United Kingdom reached a maximum a year earlier, a minimum a year later than was the case with the German exports, but the minimum was hardly 12 per cent. below the maximum. The upward movement was then resumed, the highest figures being reached in 1890 in both cases. The upward movement of the German figures fell short of $15\frac{1}{2}$ per cent., that of the English figures exceeded 23 per cent. The next part of the movement is less easy to compare, since the German figures changed somewhat irregularly, reaching a minimum in 1892, but falling back in 1894 almost to the figure from which the 1893 rise began. In this case the decline of the British figures was rather over 18 per cent., the German decline being about 11 per cent., more or less according as 1892 or 1894 be taken as the minimum by which to calculate.

If we remember that for a quarter of a century before 1872 our own export trade increased with hardly a check at a rate greater than that of the German trade-growth between 1873 and 1883, we shall be inclined to give its due weight to the fact that, as British trade has moved upward with hesitating steps during the last twenty-five years, but did exceed in 1890 the record of 1872 in spite of the fall of prices (the inflated values and trade

movements of 1872 to 1874 are hardly a just platform from which to register future progress, considering the part played in that inflation by the consequences of the Franco-German war); so also, since 1883, the upward steps of German export-trade have been hesitating, and the advance has been discontinuous in about the same degree as that in the export trade of our own country. We have remarked a slight lack of synchronism in the two movements, and it will therefore be readily seen that the utility of the comparison of the upward movements now in progress in both cases, but probably not yet complete in either, would not be likely to be of very great value. The following comparison may be useful as a numerical comment on what precedes.

Special Exports of	Annual Average, 1882-84.	Annual Average, 1885-87.	Annual Average, 1889-91.	Annual Average, 1892-94.
	Million £	Million £	Million £	Million £
United Kingdom.....	238.1	215.9	253.2	220.3
Germany	161.1	149.7	161.2	150.1
France	136.8	127.8	147.0	130.3
Holland	63.0	78.6	91.6	93.2
Belgium	53.4	48.3	58.9	53.7
United States	157.1	145.5	170.0	188.6

The year of maximum prosperity, 1883, is made the centre of the first period in this comparison, the year 1890 similarly the centre of the third period. The other two periods are simply the three years immediately following those already named. It will be observed that Germany shows the least sign of progress of any of the group. Holland registers practically uninterrupted progress throughout the period: the highest point was reached in 1891, with 94.8 millions of exports, from which figure 1894 showed a fall of two millions. The United States, too, had made great advances.

A further commentary on the extent to which our manufacturing rivals are succeeding in their business may be found in the returns of the exports of *manufactures* from Germany, Holland, France and the United States. The term is not likely to have precisely the same interpretation in all these countries, but the returns are none the less instructive, and the corresponding figures for Belgium would, if available, render them still more useful.

Exports of Domestic Manufactures from Germany, France, Holland, and U.S.A.
(in million £).

Average 1882-84.	Average 1885-87.	Average 1889-91.	Average 1892-94.
217.2	213.2	235.6	223.7

The continuous advance of the domestic exports of Holland does not show in so marked a form in this department. It should be added that the average of 1884-86 was 211 millions, and thus below that of 1884-87. The average of 1893-95 is about five millions above the average of 1892-94. The rate of advance, though somewhat greater than that shown by our own exports, hardly looks like beating us out of the field very rapidly.

To further examine the competition thus indicated in bulk, we may try to trace to their destination the exports of our neighbours and ourselves. Our comparison with Germany in particular is rendered difficult by the fact that the German figures of destination underwent a very great change after 1889, when the great bulk of exports to and imports from the Hanse Towns were divided among the true countries of destination and origin. As a result of this the comparison of the share of our imports which Germany supplies with the share supplied by us of German imports cannot be made directly, and we are compelled to take the English returns for both movements. Our exports are thus somewhat undervalued, being estimated at the port of shipment from England, not, as is desirable for a just comparison, at the port of arrival in Germany. The proportions of increase or decrease are sufficiently indicated, however, assuming that the accuracy of the determination of the country of destination (or of origin in the case of imports) has undergone no change during the period of comparison. It will be suggested later, that this assumption does not represent the facts with complete accuracy.

	Average 1882-84.	Average 1885-87.	Average 1889-91.	Average 1892-94.
	Million £	Million £	Million £	Million £
British Exports to Germany	31.0	26.9	30.6	28.9
British Imports from Germany	25.7	23.0	26.7	26.3

The later figures now available (taking those for 1896 as given by Mr. Ritchie at Wolverhampton on January 27th) show that the average exports for the three years 1894-96 have risen to 31.8 millions, while the imports have increased to 27.1 millions on the average of the same three years. These figures, though indicating no startling invasion of home markets by German goods, do not show the movement in quite as favourable a light as the figures for single years quoted by Mr. Chamberlain at Birmingham in November last. The accident that the latest returns then available were those of 1895 caused the ten-years comparison which

was made to start from the lowest figures recorded for a long time. The imports from Germany were the lowest since 1876, though, 'tis true, higher than those for any year before that date. The exports were the lowest since 1866. The imports for 1895, with which the comparison was made, have only been beaten in 1883, 1889 and 1891, till 1896 is reached, the returns for which reach a figure but little below the previous record of 1883. The exports for 1895 were the highest since 1875 when the inflation following the war had not yet died away. Had the comparison been made of 1885 with 1894, as was done with the totals of the two countries' trade, the relative advance shown would have been quite other than that to which attention was called. Failing a consideration of the figures for each of the last fifteen years, the summary given above represents tolerably fairly the actual movement. It may be added that the three years 1884-86 showed an average of 22·7 millions for the imports from Germany, being the smallest figure of imports for any three consecutive years in the last twenty years. It is further worthy of note that, among the exports, our own domestic produce occupies fully as important a place as formerly.

Let us now turn to the somewhat wider field of the group of countries already dealt with, commonly regarded as our most important rivals. To these countries we still export nearly one-third of our total exports of British and Irish produce and manufactures, and, of our total exports of all kinds, over 40 per cent. The case stands thus, using, for brevity, the term "rivals" to indicate, in this instance, Germany, Holland, Belgium, France and the United States.

	Average 1882-84.	Average 1885-87.	Average 1888-91.	Average 1892-94.
	Million £	Million £	Million £	Million £
Exports from U.K. to Rivals	127·3	112·9	127·5	113·2
Imports of Rivals from U.K. for home consumption	119·6	103·6	124·6	107·2

It will be observed that the figures of this trade derived from the customs returns on the two sides approximate more closely in the later years than in the earlier. Unless the charges for freight, insurance and commissions are heavier in proportion to the value of the goods than formerly, the suggestion of these figures is that our exports are assigned more accurately than formerly to their true ultimate destination. Even if the difference be small, it is in the right direction. The consideration of the

figures of transit trade supplied by Belgium gives even more plausibility to this suggestion. With the remark that we appear to hold our ground in the markets of our rivals themselves, we may proceed to compare our own with German trade in this respect.

The change in the German returns in the matter of the Hanse Towns, already referred to, prevents a useful comparison on the same basis as the above. In the case of German exports to the United Kingdom and to the United States, so great a change took place in the recorded figures that it would be quite fallacious to attempt a comparison with years before 1889. The returns of exports to Holland, Belgium and France, however, appear, as might be expected, to be but slightly affected by the inclusion of the Hanse Towns in the Zollverein. A comparison with the figures of these countries themselves confirms the impression produced by the German figures. We may, therefore, use the recorded figures for this part of the German trade with but little reserve. We find the comparison works out as follows:—

	Average 1882-84.	Average 1885-87.	Average 1889-91.	Average 1892-94.
	Million £	Million £	Million £	Million £
German special Exports to Holland, Belgium, and France	36.5	31.1	31.5	29.1
Special Imports from Ger- many of Holland, Bel- gium, and France	52.9	45.7	43.8	43.5
British Exports to Holland, Belgium, and France ..	60.2 (35.6)	49.7 (31.1)	53.2 (33.1)	48.3 (29.4)
Special Imports from U.K. of Holland, Belgium, and France	58.5	49.1	55.2	49.1

[The figures in brackets are the Exports of British and Irish Produce.]

So far as it applies to England, this comparison confirms the suggestion of more accurate descriptions of destinations of exports in recent years. In the case of Germany, as in our own case, a considerable proportion of the export to her neighbours is of the nature of transit trade, but in recent years we have not even the value of the total of this trade supplied. The above comparison appears to indicate that the export from Germany to her neighbours on the west is decreasing, our own export to the same countries also decreasing, but less rapidly and less steadily, that is, the decrease is interrupted by considerable revivals from time to

time. A study of the figures, so far as they relate to Germany, for earlier years, does not modify this impression. The German returns give no help beyond 1880, but, as we have seen that the general tendency of the trade as indicated by the import figures of the other countries, is the same as that shown by the German returns, their indications may be used for earlier years. Roughly speaking, these figures indicated a steady growth in this trade till the year 1882, after which comes a decrease only slightly interrupted by the last trade revival. Viewed in the same way, the German export to the rest of the world would appear to have increased till 1890. The decrease since that date may be merely the result of general trade depression, not an indication of any permanent tendency.

A view of the distribution of our export trade will assist in a correct estimation of the actual present situation. The following shows the

Exports from United Kingdom of British and Irish Produce.

To	Average 1852-84.	Average 1885-87.	Average 1889-91.	Average 1892-94.	1895.
	Million £	Million £	Million £	Million £	Million £
Germany, Holland, Belgium, France, and U.S.A.	81.5	71.9	81.9	70.9	77.1
British Possessions	83.1	76.3	85.5	73.1	70.0
Rest of the World	73.5	67.7	85.8	76.3	78.8

A first glance at this table suggests extremely unpleasant reflections. The trade with our rivals is fairly maintained, that with the rest of the world outside the British Empire shows extremely satisfactory expansion, but our exports to our Colonies appear to be dwindling. For this there are two reasons. Nearly 40 per cent. of our exports to British Possessions are sent to India. The expansion of this trade has been hampered by the continual fall in the exchange. With a fall of more than 12 per cent. in the average rate obtained for council bills between 1891-2 and 1893-4, we might expect that this section of our export trade would manifest even greater depression than the trade with other countries not so affected. A more obvious cause than this, and one more marked in its effects, is the financial collapse in our Australian Colonies in 1892. How much of the recent inelasticity in our colonial markets is due to this cause may be seen from the following comparison :

Exports of British and Irish Produce.

To	Average 1882-84.	Average 1885-87.	Average 1889-91.	Average 1892-94.	1895.
	Million £	Million £	Million £	Million £	Million £
British India.....	30·5	30·4	31·9	28·7	24·7
Australia (including Tasmania) ...	20·4	19 0	20·1	13·5	14·2
Other British Possessions ...	32·2	26·9	33·5	30·9	31·1

Apart from the two causes noted, the expansion of our exports to other parts of the Empire is not unsatisfactory. These causes affect some 60 per cent. of the trade; hence the whole, when viewed in the mass, appears worse than the reality. Doubtless the Australian markets will, in due time, again absorb about as great a share of our products, or nearly so, as before 1892. Bearing in mind the extent of these influences, and noting the progress of our exports to the world outside the Empire, and the countries of our rivals themselves, the impression of approaching doom is pleasantly relieved.

The comparison of the relative progress of Britain and Germany, which cannot be made from the German figures themselves, owing to the change in the mode of compilation, can be partly effected by the method employed in the articles in this Journal already referred to. A summary of results will be sufficient here.. It should be noted, in considering these results, that the progress of German trade is exaggerated in them for two reasons at least. One is that some countries now separate their imports from Germany from the general mass of those from "other countries," where they were formerly buried (and that the knowledge of the real origin is more accurate); another, that some German produce formerly purchased in this country, and entered as from Great Britain, is now obtained direct. Thus part of the recorded increase is apparent only, and does not represent a real increase of the proportion of German-made articles in the respective countries whose returns contribute to the following summary:

Imports of Russia, Norway, Sweden, Denmark, Holland, Belgium, France, Italy, Spain, Portugal, and Roumania.

Average of Years	Total (Million £).	From United Kingdom.		From Germany.	
		Million £.	Per cent.	Million £.	Per cent.
1877-79	465·6	94·8	20·4	81·2	17·4
1882-84	533·5	105·1	19·7	94·2	17·7
1885-87	502·3	90·3	18·0	83·9	16·7
1889-91	556·9	104·1	18·7	84·1	15·1
1892-94	530·2	94·4	17·7	82·9	15·6

Imports of U.S.A., Argentina, Chili, Uruguay, Egypt, and Japan.

(NOTE.—The Japanese returns only go back to 1880. Germany is not separately given in the Egyptian returns till 1884.)

Average of Years	Total (Million £).	From United Kingdom.		From Germany.	
		Million £.	Per cent.	Million £.	Per cent.
1877-79	115.0	30.1	26.2	8.4	7.3
1882-84	191.6	54.8	28.6	16.4	8.6
1885-87	181.9	50.0	27.5	19.6	10.8
1889-91	230.8	62.1	26.9	26.8	11.6
1892-94	222.5	52.8	23.4	24.7	11.0

Imports of British Possessions.

(NOTE.—The rupee is converted at the average rate of council bills.)

Average of Years	Total (Million £).	From United Kingdom.		From Germany.	
		Million £.	Per cent.	Million £.	Per cent.
1877-79	133.3	81.3	61.0	0.4	0.3
1882-84	166.9	101.0	60.5	1.3	0.8
1885-87	156.9	94.3	60.1	1.8	1.2
1889-91	183.8	108.1	58.8	3.7	2.0
1892-94	165.6	92.9	56.1	4.1	2.5

These three tables, when taken together, give us the following summary of the imports of so much of the world as is included in them. If the totals of the imports and exports of the world, given by Dr. von Juraschek, in the *Übersichten der Weltwirtschaft*, be assumed to be correct, about one-seventh only of the world's import and export trade does not come under examination.

Average of Years	Total of Imports (Million £).	From United Kingdom.		From Germany.	
		Million £.	Per cent.	Million £.	Per cent.
1877-79	713.9	206.2	28.9	90.0	12.6
1882-84	892.0	260.9	29.2	111.9	12.5
1885-87	841.1	234.6	27.9	105.3	12.5
1889-91	971.5	274.3	28.2	114.6	11.8
1892-94	918.3	240.1	26.1	111.7	12.2

Some slight differences between the above figures, and some of those given in this Journal in 1894, are due to a revision of the returns then available, especially in reference to the trade between Germany and certain of our colonies.

The general conclusion derived from the figures of export trade here reviewed is that, but for exceptional circumstances

in Australia, the recent depression would have compared not unfavourably with former depressions; still more so had not the large trade with India been disturbed by the continual fall of exchange, and that of the United States by tariff changes and a quite unusual dislocation of business which characterised 1894.

A few words on another subject will add strength to the confidence derived from what precedes. If we turn to the returns of shipping owned and shipping business done, we find that progress in these directions still continues.

The records of tonnage owned in different countries, which are compiled by very different authorities, confirm one another in the general conclusion, even though the detail be different. Dr. von Juraschek, in the publication already quoted, credits Great Britain and Ireland with the ownership of 42·7 per cent. of the tonnage of the world, or, taking steam tonnage as equivalent in carrying power to three times as much sailing tonnage, with just over 50 per cent. of the carrying power of the world. Germany owned, according to this authority, only about 7 per cent. when tested by either criterion. The date of these figures is the beginning of 1893.

A comparison of 1895 with ten years before, which was made by Mr. Worthington C. Ford, in one of those admirable supplements to the usual returns which have made his monthly summaries of the trade returns of the United States so interesting and instructive, shows that the increase of tonnage owned in the United Kingdom and in Germany during those ten years was about 21 per cent. in each case, and indicates that the proportion of British tonnage to that of the world is increasing. The figures of Lloyd's register (which may be found in *Whitaker's Almanack*), give a like result. The tonnage owned in the United Kingdom increased from 43½ to 48 per cent. of that of the world in the ten years preceding the last record, which refers to 1896-7, and, if we reckon effectiveness as stated above, namely, 1 steam ton = 3 sailing tons, the effectiveness of the British-owned mercantile marine increased from 51·6 to 52·7 per cent. of that of the world. The German mercantile marine increased from 6·5 to 7·6 per cent. of the world's tonnage, and, in effectiveness, from 6·2 to 7·9 per cent. This is a more rapid progress than that of Great Britain, but our rate of progress when our mercantile marine was of a magnitude comparable in tonnage or in effectiveness with Germany's present shipping, would show that our present slower progress relatively is attributable to the enormous bulk of the shipping already acquired. In the ten years referred to, the

increase of British shipping was about 50 per cent. more in tonnage, considerably more than the double in effectiveness (on the assumed basis) of the whole of the merchant shipping owned in Germany at the present time.

It may be remarked, in passing, that in regard to ownership of shipping and shipping movements, the changes from year to year are not so rapid as to render it necessary to resort to comparisons of periods. Single-year comparisons give a view of the actual facts, which is, in general, extremely close to that afforded by periods of years. Comparing 1894 with 1885, the increase of entrances and clearances of ships with cargoes at British ports was nearly 22 per cent., at German ports $41\frac{1}{2}$ per cent. The actual British increase was about seven-eighths of Germany's total in 1885. The comparison with 1884 would have shown more favourably for the United Kingdom, owing to an irregularity in the progress of the figures. Situated as our country is, all its external trade depends on shipping, while much of the external trade of Germany takes place across its land frontiers. Still, it may not be out of place to recall the fact that in 1850 the shipping movements in British ports in the foreign trade were about the same in amount as those of Germany in 1885, and that the growth during the following decade was fully 70 per cent. Looking back, we find that the rate of growth both of shipping owned and of entrances and clearances is slackening. Were both countries to maintain their present rate of growth, Germany would overtake us in something like a century, but the slowing-down process will defer that event, especially as the consideration of the past and the recent changes of both sets of figures appear to indicate a more rapid slowing of the German rate of increase than of our own. There is a further point to be noted, and that is, that even in the coasting trade, the proportion of foreign vessels is not inconsiderable (recently about 10 per cent.) in the case of the German trade, while it is less than the half of one per cent. in the British coasting trade. In the foreign trade about 46 per cent. of the shipping entered and cleared at German ports is German, and of the remainder nearly two-thirds is British. In British ports about 74 per cent. of the shipping is British, and of the remainder not quite one-sixth is German. The total of entrances and clearances with cargoes is three-and-a-half times as great at British as at German ports (foreign trade only), and the British shipping in German ports is not far short of two-and-a-half times as much as the German shipping in British ports. Thus, apart from any other cause, the increase in German

foreign trade tends to the prosperity of one important English industry.

The increase in the coasting trade is, it may be remarked, satisfactory, and may, perhaps, be taken as one small indication of expansion of home trade, without which growth of oversea trade would afford less reason for congratulation.

In conclusion, there seems no reason for thinking that it is yet too late in the day to prevent the loss of any notable portion of our foreign trade. If we can remedy such defects as those noted by Mr. Bruford in his report on the trade of Victoria, where trade was lost because tacks were sent in paper packages instead of in cardboard boxes, and cartridges were sent in packages of a hundred, while customers preferred packages of twenty-five; if more attention to the tastes of their customers be given by those who have, by their actions, called forth such rebukes as that of Mr. Chamberlain, quoted in the last number of the *JOURNAL*, if the example of our best manufacturers and merchants be copied by the rest, if the delusion be dispelled that people will be contented with what is offered provided that they can be persuaded that they cannot get anything more to their taste, if the severity of foreign competition arouse us in time to the real need for exertion on the part of every one concerned, there is still left a trade which, in the present condition, is the envy of the world, and which draws from foreigners many a complaint of the severity of the competition of England with themselves.

It may be perfectly true when an Englishman says (to quote the report of Her Majesty's Consul at Teneriffe) "This is the best article of its kind; take it or leave it, but it is the cheapest in the long run." Yet the "take it or leave it" policy is a mistake, even if prejudice do not over-estimate the goods offered. When he can be suited elsewhere, we may be sure the foreigner will not take English goods unless they suit him.

A. W. FLUX

NOTE.—For comparison with the figures at the foot of p. 36, the following, derived from information in Sir Courtenay Boyle's recent memorandum may be useful.

Exports of manufactured and partly manufactured Articles of British and Irish Produce (in million £).

Average 1882-84.	Average 1885-87.	Average 1880-91.	Average 1892-94.	1896.
212·8	192·6	221·4	190·4	209·9

The anticipation expressed on p. 41, finds some justification in the following figures for 1896. Exports of British and Irish Produce: to British India, 30 millions, to Australia, 17·9 millions, to other British possessions, 36 millions.

THE PURE THEORY OF TAXATION

The theory of the incidence of taxation . . . really . . . is an integral part of the general theory of value."—MARSHALL.

THE science of taxation comprises two subjects to which the character of pure theory may be ascribed: the laws of incidence, and the principle of equal sacrifice.

The first subject presents a variety of distinct cases demarcated by several cross divisions. Of these divisions the following four appear to me the most important for the purposes of theory:—

Either (A) all the transactions¹ under consideration are exposed to competition; or (a) among the parties with whom we are concerned there is at least one monopolist.²

Either (B) all the products with which we are concerned obey the law of increasing cost; or (b) some do not.³

¹ I suppose in each case parties to an exchange, the play of demand and supply. Taxation in a *régime* of socialism or of slavery is not considered.

² I understand by a monopolist an individual, or a combination, having the sole control of an article of exchange, and dealing with it solely in the interest of the monopolist. I agree with Professor Walras in thinking that much confusion has been caused by extending the term to cases in which a commodity absolutely limited, such as land of a certain sort is in the hands of a *plurality* of uncombined possessors (*Éléments d'Économie Politique*, 2nd edition, Art. 408. Cp. *Dictionnaire d'Économie Politique*, Art. "Monopole"). As to the definition of maximum advantage in the case of a *combination*, see the present writer's article on "The Pure Theory of Monopoly" in the *Giornale degli Economisti* for 1897.

³ I define the laws of increasing and decreasing cost thus. If $\phi(x)$ be the expense—or more generally the equivalent in money of the "real cost"—of producing the quantity x of a certain commodity, the law of increasing cost holds, when $\frac{d_2\phi}{dx^2}$ is positive; the law of decreasing cost, when $\frac{d_2\phi}{dx^2}$ is negative (cp. Cournot, *Principes Mathématiques*, Art. 29). Generally if $\phi(x, y, z \dots)$ is the cost of producing the quantities $x, y, z \dots$ of several commodities, the law of decreasing returns does or does not hold, according as the second term of variation of ϕ does or does not fulfil the conditions of a *maximum*. "Decreasing and increasing returns" will be here used as synonyms of increasing and decreasing cost. This definition is not identical with that of some distinguished economists.

Either (C) the mobility of capital and labour¹ is not taken account of, or (c) exists and is taken account of.

Either (D) the taxation considered varies with the quantities of articles exchanged (including money, as in the case of a specific or an *ad valorem* tax, or one in kind), and so may be described as a tax on *margin*; or (d) it does not so vary (as in the case of a tax on profits, or a poll-tax), and so may be described as a tax on *surplus*.²

I proceed to consider the more important of the cases formed by the combination of these attributes, giving priority to the first member of each division, the one designated by a capital letter. According to the order adopted, the case first to be considered is that which is defined by taking the first member of each division and which may accordingly be designated as A B C D; indicating that (A) the parties considered consist of two or more groups, the members of each group supplying the same article³ in competition with each other; (B) each additional increment of every product is obtained by a more than proportional increase of outlay; (C) the groups are "non-competing" in Cairnes' sense, "industrial competition" is not supposed to exist; (D) the tax is of the same genus as an export or import tax.

A B C D. The case thus defined is nearly coincident with the case which I have discussed in a former article; that of an export or import tax on an article of international trade; understanding international trade in the generalised sense of "exchange without mobility."⁴ Following Mill, we may begin with the simplest variety where there are only two "nations." The case as conceived by us comprises not only international trade (in the proper sense) between two islands isolated from the rest of the commercial world, but also a simple abstract market, such as the corn market, of which Professor Marshall has described the "temporary equilibrium"⁵ or his ideal nut

¹ As mobility may exist with respect to some—not all—of the agents of production (*cp.* article on "International Value" in the *ECONOMIC JOURNAL*, vol. iv. p. 35), the more exact distinction might be between (A) a greater and (C) a less degree of mobility.

² For certain theoretic purposes it might be better to distinguish the cases in which the tax (D) strikes the variables by the variation of which the parties under consideration seek each his maximum advantage; or (d) strikes the quantity which it is sought to maximise. The distinction between *margin* and *surplus* hovers between this one and the one in the text. (See "Margin," *Palgrave's Dictionary*. *Cp.* below, p. 57.)

³ Or articles in the case of joint or more generally correlated production (below, p. 54).

⁴ *ECONOMIC JOURNAL*, vol. iv. p. 36.

⁵ *Principles*, Book V. ch. 2, § 1.

and apple-market ;¹ also the dealings by which the shares of the parties in distribution are determined, the labour market, the loan market, the land market, each considered at first abstractedly by itself, and not yet in its true interdependence with the others.²

A tax of the kind now under consideration, affecting such a market, will in general prejudice both parties more or less. If, in the metaphor of a distinguished economist, we represent the undisturbed relation of the parties by the equilibrium of two balls resting against each other in a bowl, it may seem, at first sight, that a wedge inserted between the two balls will raise one of them to the full extent of the thickness of the wedge. But on reflection it is evident that this only occurs in the limiting case when the mass of one ball may be neglected in comparison with that of the other. In the absence of data respecting the relative masses of the balls all we can say is that the distance between them will be equal to the thickness of the interposed lamina. Corresponding to the masses of the two balls are the elasticities of demand and supply for the two parties. The general principle is that the tax inflicts more loss on either party, the less the elasticity of that party's demand or supply ; other things, including the other party's elasticity, being the same.³

This proposition has been demonstrated at length in former articles.⁴ It must suffice here to add some remarks suggested by an examination of certain extreme cases.

An instance of infinite elasticity of supply is afforded by the labour market upon the Ricardian hypothesis that, in Mill's words, " there is everywhere a minimum rate of wages, that they can never be lower beyond the length of time required for a diminished rate of increase [of population] to make itself felt, and can never long continue higher."⁵ Upon this assumption, it is

¹ *Principles*, Book V. ch. 2, § 1, note on *Barter* (latter part).

² One of the best, and I believe the first statements of the simultaneity, in the mathematical sense, of the several equations pertaining to value and distribution is given by Professor Walras in his *Éléments d'Économie Politique Pure*.

³ When, as in my *Articles on International Value*, we make abstraction of money, and consider *price* in the generalised sense of M. Walras, *i.e.* rate-of-exchange, then it is unnecessary to distinguish the elasticity of supply from that of demand. The less the extension of the demand attending a fall of price, the less is the extension of supply attending a rise of price. When demand becomes perfectly inelastic the elasticity of supply becomes *negative*. This is the case alluded to in the criticism of Messrs. Auspitz and Lieben (*ECONOMIC JOURNAL*, Vol. IV. p. 637) as not adapted to a curve which represents the variations of supply with money-price.

⁴ The general principle is well stated by Professor Carver in his article on "Shifting of Taxation" in the *Yale Review* for November 1896.

⁵ *Pol. Econ.* Bk. II. Ch. XI. § 2.

"hypothetically true" that a tax on wages would not permanently rest on the working classes;¹ a conclusion which is justly regarded as the opprobrium of pure theory, if it is applied to justify a tax on wages or on the necessities of the wage-earner. We have, however, Mill's authority for saying that "the assumption contains sufficient truth to render it admissible for the purposes of abstract science."²

It should be observed that this perfect elasticity of the supply of labour is predicated only of long periods; for short periods to evoke more work there would presumably be required a higher rate of wages. A similar difference in respect of elasticity between long and short periods is to be noticed in other markets. Thus, according to Professor Seligman, "an equal tax on all capital must fall on the lender, that is the capitalist. There would be no way for him to shift the burden."³ But he admits that further accumulations might be discouraged. *Pro tanto* then the rate of interest in a long period would be increased.⁴ Thus, too, we may partly account for Mill's statement respecting "the attempt to tax all purchases and sales" that "neither class [buyers or sellers] could throw the burden upon the other."⁵ This is true, for instantaneous periods, at least of sellers, so far as they are under the necessity of selling what they have brought to market. But can it be affirmed in general of a tax like the Spanish *alcavala* that "if levied from the sellers" in the long run it would burden sellers more than buyers?⁶

The difference between the elasticity of supply according as short or long periods are considered is conspicuous in the case of houses.

For times so short and in places so limited that the number of houses offered may be regarded as a fixed quantity,⁷ a tax on house-

¹ See Mill's application of the principle, *Pol. Econ.* Book V. ch. iii. § 4, par. 4.

² *Cp.* Adam Smith on taxes upon the wages of labour and the necessities of life (*Wealth of Nations*, Book V. ch. 2). M'Culloch's remarks on these passages (M'Culloch's edition of Adam Smith, vol. iv. note xxiv.) seem just; his own views (*Ibid.* p. 544) human. On this point Prof. Seligman, as always where *friction* is the subject, is instructive (*Shifting and Incidence*, p. 174). Among the numbers of other writers who might be referred to, Prof. Bastable may be distinguished (*Public Finance*, pp. 358-60, and 496, 2nd edition).

³ *Shifting and Incidence*, p. 192. *Cp. Wealth of Nations*, Book V. ch. 2: "a tax upon the interest of money could not raise the rate of interest; the quantity of stock or money in the country . . . being supposed to remain the same." But it would not remain the same (*Ibid.* *infra*).

⁴ *Cp.* Bastable, *Public Finance*, Book III. ch. v. § 7.

⁵ *Pol. Econ.* Book V. ch. 5.

⁶ The effect attributed to a "tax on all commodities" by Mill in an earlier passage (Book V. ch. iv. § 1, par. 2) would require a long period.

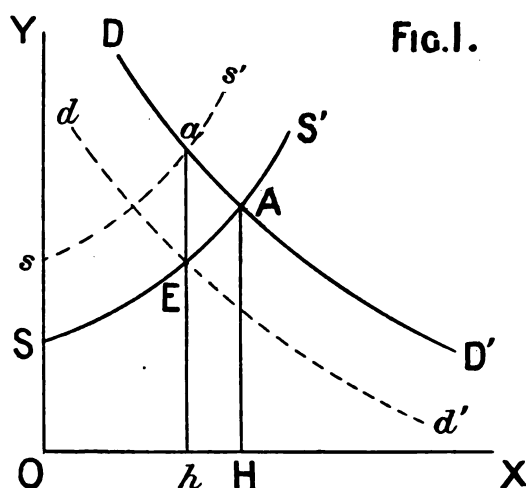
⁷ The case of a commodity of which the quantity cannot be increased may be

rent, whether imposed on the occupier or owner of the house, is in general borne altogether by the owner. This conclusion of the older economists¹ is verified by the newer methods.²

regarded as a limiting case of one which can only be increased at an increasing cost; and so belongs to our class B.

¹ Mill, *Pol. Econ.* Book V. ch. iii. § 6, par. 3; Ricardo, *Pol. Econ.* ch. xiv. first two pars.

² In the accompanying figure SS' and DD' are taken as, in Professor Marshall's phrase, "the typical diagram for stable equilibrium for a commodity that obeys the law



of diminishing return" (*Principles of Economics*, p. 425, ed. 3; *cp.* p. 524). A is the position of undisturbed equilibrium, OH is then the supply. When equilibrium is disturbed by a tax (of the kind now under consideration) on the producer, the supply is reduced to Oh; hE is the price received by the producer, Ea the tax paid per unit of commodity (Marshall, *loc. cit.*). The figure shows that, if the tax is levied from the consumer, the result is the same. For dd' , the demand-curve as displaced by the tax, strikes the original supply-curve in E. This theorem is given by Professor Carver in his article on "Shifting of Taxes" in the *Yale Review* for Nov., 1896 (Compare Auspitz and Lieben, *Theorie der Preise*, Art. 82).

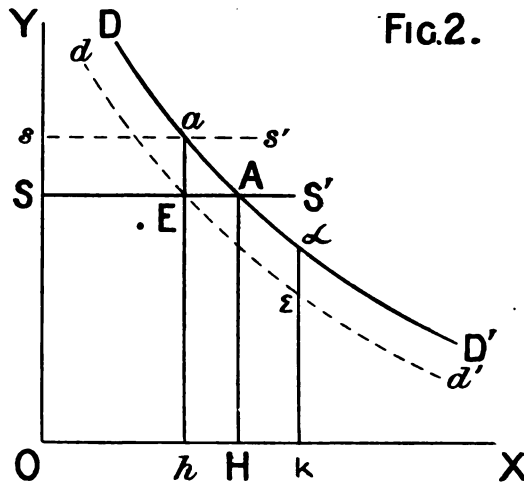
Fig. 2 represents the two limiting cases of this theorem. SS' is the perfectly elastic curve of constant cost, ss' the same displaced by a tax, as in Professor Marshall's Fig. 38; dd' has the same import as in the last paragraph.

In the other limiting case, when the supply is perfectly inelastic, let it equal $O\kappa$. Then κa is the supply-curve. If it is imagined as sloping a little outward, the limiting form not quite reached, the effect of a tax on supply would, as before, be represented by moving (every point of) the curve vertically upwards through a distance corresponding to the extent of the tax. The intersection of this displaced supply-curve—not shown in the figure—would cut the demand-curve in the neighbourhood of a , and accordingly the price paid by the consumer is nearly—in the limit quite—the same as before; the whole tax falls on the other party.

But it is simpler to use the theorem that it comes to the same whether the tax is on supply or on consumption. In the latter case, if dd' is as before the demand-curve displaced by the tax, κa the price paid by the consumer is unaltered, the whole tax falls on the other party.

Some confusion appears to be caused by supposing the law of demand to alter concurrently with the imposition of the tax.¹ Is it not competent to the "mechanics of industry" to treat superposed disturbances independently and one at a time? If a person wears high heels may we not estimate the elevation due to that cause without putting him on a hill. If indeed there is some connection between the artificial elongation and the position of the wearer, it may be proper to note this. Xenophon tells us that the great king alone among the ancient Persians wore his

Compare Fleeming Jenkin: "If a holder sells unreservedly . . . the whole tax falls on the seller; the supply curve becomes a vertical straight line" ("Incidence of Taxes," p. 114 of *Papers Literary and Scientific*).



Or is it easier to say that, if with Cournot (*Principes Mathématiques*, Art. 51) we represent the equality of demand and supply before the tax by the equation $F(p) = \Omega(p)$ and after the tax (of u per unit imposed on the supply) by the equation $F(p') = \Omega(p' + u)$; then if Ω is degraded to a constant the equation for p' the disturbed price is the same as the equation for p the original price.

¹ Thus the Report of the London County Council Committee (Lord Farrer, chairman) concludes that in prosperous communities house-rate falls on tenants; in declining ones on landlords. Similarly the *Dictionnaire d'Econ. Pol.* art. "Incidence de l'Impôt." So Lord Farrer in his evidence before the Town Holdings Commission (Q. 1,244): "The best authorities seem to think that it depends very much on the state of the market." If it is asserted that the incidence of a tax depends on whether the demand is rising in the sense of the demand-curve being raised as a whole, I altogether dissent; if it is meant that the incidence depends on whether the demand becomes more urgent in the sense of the demand-curve becoming steeper, I give only a qualified assent (See p. 53, par. 2, and p. 63 note). It is too true that the "best authorities" express themselves carelessly. Pantaleoni forms a brilliant exception when he explains that a rise of rents does not mean shifting of tax (from the owner to the occupier) if the rents would have risen independently of the tax. (*Teoria della Traslazione dei Tributi*, p. 226 et seq.)

tiara erect. If then the king—as according to Dryden, the conqueror—of the Persians sate “aloft in awful state,” the apex of the royal tiara would have been elevated both in itself and on account of the wearer’s position. Yet Xenophon’s statement is intelligible by itself. So rates on houses when expended in improving the neighbourhood tend to increase the demand for houses.¹ Yet in measuring the burden of the tax to the owner it is allowable in pure theory to abstract its influence on demand.

Another reflex influence of a house-rate on the demand for houses already built—reflected from the quarters where new building is possible—as it presupposes the mobility of capital, must be deferred to a later section. At present we are supposing the offer of built houses to be constant—the *fourth* of the cases so lucidly distinguished and discussed by Mr. Pierson in the second edition of his *Leerboek*.²

When it is affirmed that under these circumstances the burden of the tax falls altogether on the owner it is understood that the demand of the occupant is of an ordinary kind—not of that extreme or limiting variety which is perfectly inelastic. The contrary assumption is made by some writers; Mr. Blunden, for instance, who puts houses in the category of those “absolute necessities of life” of which the “prices may rise considerably without appreciably affecting the demand.”³

No doubt it is so in particular instances, for instance, in the case of the dwelling houses of the labouring classes in certain localities.⁴ But can it be affirmed generally that the demand for dwelling-houses is perfectly inelastic? “If the tax, indeed, was very high,” says Adam Smith, “the greater part of people would endeavour to evade it as much as they could by

¹ Mr. Fletcher Moulton, in his evidence before the Town Holdings Commission, has dwelt forcibly on this incident.

² Noticed in the *ECONOMIC JOURNAL*, vol. vi. p. 436.

³ *Local Taxation and Finance*, p. 49. Compare the author’s recapitulations of his views in the *Journal of the Statistical Society* for December 1896.

Similarly Prof. Seligman: “The landowner is not compelled to part with his land, but the tenant is compelled to occupy some apartments” (*Shifting and Incidence*, p. 111). Elsewhere, indeed (*Ibid.* p. 120), he admits that the tax might be “so high as to cause the tenant to content himself with meaner apartments, or rooms in a less desirable locality.”

I regard it as the general case, that the tax on the occupier tends to diminish his demand for house accommodation. Thus Mr. Bourne, steward of the London estates of the Duke of Bedford, affirmed, “with the greatest confidence,” “from the knowledge that I have of every day work for many years in London,” “that the person taking the house is so free in his choice, that he can afford to throw up the houses when he takes into consideration what the rates and taxes are” (Town Holdings Committee, 1887. Q. 11,288-9.)

⁴ Cp. Cliffe Leslie, *Taxation of the Working Classes*.

contenting themselves with smaller houses." And even if the tax be not high, is not a consequence similar in kind, if less in degree, to be apprehended by the owner who offers it for hire?

In fine, even granted the premiss that the demand for houses is inelastic, the conclusion that the tax falls wholly or chiefly on the occupier does not follow. The supply of houses (already built) being, as here supposed, also inelastic, the price or rent becomes *indeterminate*.¹

The extreme cases which have been instanced form rather limits than exceptions to the rule that both sides of the market suffer by a tax. An exception is presented by a species of export-tax analysed in a preceding article;² the abstraction of a certain portion of the exports in kind, to be disposed of in a manner not affecting the market under consideration.³ An instance would be the virtual export-tax which is imposed by the capture of smuggled goods; the intercepted goods being destroyed, or so disposed of as to produce the same effect on the demand and supply in the two countries as if they were destroyed. It is not contended that the exception is of any practical importance.⁴

Another class of exceptions comprises what Mill has called "peculiar" or "anomalous" cases of value.⁵ Such is the case of "joint production," as defined by Mill, when "the same outlay would have to be incurred for either of the two [commodities] if the other were not wanted or used at all." Akin to this case is that in which the increase of the production of either commodity, though it does not necessitate, yet facilitates, the increased production of the other.⁶ I propose to call products connected by this relation, which I have elsewhere defined more precisely,⁷ *complementary*.

¹ The intersection of two coincident perpendiculars!

What the actual effect of a tax under such conditions will be would seem to depend on circumstances which from the point of view of pure theory may be called accidents; among which no doubt the circumstance whether the demand is rising or falling (above, p. 51) may in practice be important.

² *ECONOMIC JOURNAL*, vol. iv. p. 429 *et seq.*

³ The condition is stated with much precision by Cournot with respect to the taxation of *monopolies*: "Il peut se faire que le produit de l'impôt en nature soit appliqué à une consommation qui n'aurait pas eu lieu sans l'impôt, et qui n'influe en rien sur la demande que les autres consommateurs font au producteurs" (*Principes Mathématiques*, Art. 42).

⁴ As this kind of tax is in practice rare, I have to acknowledge that I have, in a preceding article (*ECONOMIC JOURNAL*, vol. iv.) exaggerated the asymmetry between export and import taxes; and to retract my criticism of Prof. Bastable on that point (*Ibid.* p. 624).

⁵ *Pol. Econ.* Book III. ch. 16 *passim*, and last par.

⁶ Cf. Marshall, *Principles*, Book V. ch. vi

⁷ *Giornale degli Economisti*, 1897.

If we suppose the degrees of complementariness to be gradually diminished, we shall pass through the zero point of absolute independence to a relation which may be distinguished as *rival* production; when the increased production of one commodity renders the increase of the other more difficult. For instance, where a limited amount of time, strength, or other resources may be spent in either of two sorts of otherwise unconnected production.

The following propositions respecting the taxation of products correlated in either of the two ways just defined may easily be proved; it being supposed that the demand for one commodity is independent of the demand for the other. A tax upon one of two rival products will raise the price of both. A tax on one of two complementary products will raise the price of the taxed one, and lower the price of the untaxed one. In the latter case it is conceivable that the consumers as a whole might be advantaged by the tax, if we may set the gain of one class against the loss of another.

The gain and loss to be balanced would appertain to the same persons in the corresponding case of correlated demand. The demand for two products may be called *complementary* when a rise in the price of one is attended by a fall in the price of the other, *rival* when a rise in the price of one is attended with a rise in the price of the other.¹

The following propositions respecting the taxation of commodities for which the demand is correlated may be proved. A tax on one of two rival commodities will raise the price of both. A tax on one of two complementary commodities will raise the price of the taxed one, and lower the price of the one which is not taxed. It is conceivable that the latter effect should so exceed the former that, on balance, a gain results to the consumers.

The possibility of a positive gain resulting to one side of the market—one of the two “nations”—from the imposition of a tax² is more evident in the case of commodities which are complementary, both as regards production and consumption. In this compound case it may be shown—but not, I think, very easily,

¹ *Ceteris paribus*, and in particular the marginal utility of money being supposed constant. I have used a more essential attribute for the definition of *rival* and *complementary* demand in my paper on *Monopoly* already referred to.

² Exclusive of the gain accruing from the tax to the importing country, a gain which must in general be included in order that an import-tax may result in a net gain to the importing country; as maintained by Messrs. Auspitz and Lieben (*Theorie der Preise*, Art. 81), and by the present writer (*Economic Journal*, vol. iv.)

perhaps not without the use of mathematics—that a tax on one commodity may lower the price of either, but not of both.¹

Our estimate of the importance of these exceptions to the rule that neither party gains by a restriction of trade depends partly on the question whether the “peculiar cases” are frequent. According to Jevons the cases of joint production, “far from being ‘some peculiar cases,’ form the general rule, to which it is difficult to point out any clear or important exceptions.”²

However that may be, the exceptions which have been adduced do not militate against the general rule considered as expressing the most frequent, the typical case. In all the varieties of correlated demand and supply it is still true that most frequently the price of the taxed commodity will be raised,

¹ x and y being the quantities purchased, consider the collective total utility (the *Gesamtnutzlichkeit* of Messrs. Auspitz and Lieben), and also the collective total cost (the *Gesamtkoste* of the same authors), each as a function of x and y . Before the tax, the price of the first commodity = its marginal utility (i.e. the differential of the total utility with respect to x) = its marginal cost (i.e. the differential of the total cost with respect to x). The price of the second quantity is similarly determined. After the tax—which may be at first supposed small and specific, say n per unit of x , and levied from the producer—if x' and y' be the new quantities then (1) marginal utility of x' = the marginal cost thereof $+ n$; (2) the marginal utility of y' = its marginal cost. Substituting $x + \Delta x$, $y + \Delta y$ for x' and y' , expanding and neglecting higher powers, we obtain two simultaneous linear equations for Δx and Δy . Solving these, we can find the increments of the prices and the decrement of Consumers' Rent, in terms of three kinds of data: (1) the extent of the tax, (2) the rate of decrease of utility and the rate of increase of cost, and (3) the measures of the correlation between the two commodities in demand, and also in supply (the second differential with regard to x and y of the utility-function, and also that of the cost-function). These magnitudes must comply with certain conditions; but those conditions are not inconsistent with the statements in the text. But, if only one of these correlations exists, though the price of the taxed commodity cannot fall, yet the Consumers' Rent may rise.

By parity of reasoning it may be shown that though in the case of a single commodity, “if the commodity obey the law of diminishing return . . . the result [of a tax] will be to raise the supply price by something less than the full amount of the tax” (Marshall, *Principles*, V. ch. xii. § 4), yet in the case of *correlated* commodities it is possible that the result of a tax on one may be to raise its price by more than the full amount of the tax; that though in general, the producers' surplus is diminished by a tax, yet in the case of correlated commodities it may be increased. The negative case of this paradox is, that a bounty may prejudice the bountied parties (directly and apart from ulterior effects, and from the cost to their Government).

What has been proved of a small specific tax may be extended (by neglecting higher powers of small quantities) to *any* small marginal tax (increasing with the increase of the commodity). What has been proved for an indefinitely small tax may be extended to a finite tax by reasoning which Cournot has made familiar. (For further explanations see my article on “The Pure Theory of Monopoly,” in the *Giornale degli Economisti*.)

² *Theory*, p. 217. Cp. Preface, p. liii. Jevons is speaking of “joint” products in the narrow sense above attributed to Mill. If Jevons is right in using such strong language (which I am disposed to doubt), then *a fortiori* with reference to the wider category of goods that are *complementary* either in production or consumption.

while the price of the correlated commodity will as often be raised as it will be lowered in consequence of the tax. Whence it follows that the cases in which a balance of gain results to one party are a minority.

In these examples we have insensibly passed the frontier, not very important for the present purpose, which separates the case of two "non-competing groups" from that of several. We may now restore to the various markets involved in "Distribution and Exchange," the interdependence which we at first abstracted. We may now suppose a whole system of countries connected by international trade.

The reader may be referred to a former article for a discussion of this general case—the case of several balls in the bowl. It may be well to remark that when in equilibrium one ball presses against another, and that other against a third, it is not in general indifferent between which two balls a wedge shall be inserted. For example, suppose three islands, A, B, C, engaged in this sort of international trade. A imports from B goods, for the manufacture of which B has to import materials from C.¹ An import tax in A (or an export tax in B) on the goods exported from B to A will not come to the same as an import tax in B (or an export tax in C) on the materials imported by B from C. As an extreme case, suppose that the materials imported from our island C are supplied there yearly in constant quantities independently of human effort—*e g.*, seaweed deposited on the shores of C. A tax on the price charged by inhabitants of C for permission to inhabitants of B to remove this seaweed would fall altogether on the inhabitants of C; the price of the goods imported from B into A would not be affected. But a tax on these latter imports would be followed by a rise in the price of those imports, and a fall in the price of the materials imported from C; all three parties will be worse off—in general, and except in the limiting case in which the demand in A for the imports from B is perfectly inelastic, in which case the entire burden of the tax will fall on A, B and C will be unaffected.

ABCd.² The possibility which has been shown in the pre-

¹ Compare Prof. Carver's correct decision on the case of a tax that is placed upon an article on its way through the hands of a merchant from the producer to the consumer. (*Yale Review*, Nov. 1896.)

² See the explanation of these symbols above, p. 46.

It would have been agreeable to classical tradition to place in this section the theorem, that a tax on rent falls entirely on the landlord (above, p. 56). Thus James Mill: "To him [the capitalist cultivator] it is a matter of perfect indifference, whether he pays the surplus in the shape of rent, to an individual proprietor, or in that of revenue, to a government collector" (*Elements*, chap. iv. § v. par. 1). So

ceding section that a tax upon products may be in part shifted by the producer, even though he has not the power of changing his occupation, no longer exists when the tax is imposed on profits, or generally *surplus*.¹ The case is not now that of a wedge inserted between two balls in a bowl; it is rather as if the position from which one of the two balls was started to run down to equilibrium was lowered. The height at which it would finally settle would not be altered by this abbreviation of its descent to equilibrium² (the bowl being supposed spherical). The conditions of economic equilibrium are not affected by a tax on surplus.

This is the first approximation. But it must be remembered that in general it is not possible for the tax-collector to hit a surplus which is altogether "intramarginal." A tax on profits—such as Schedule D of our Income Tax, or such as a payment for a license to carry on a trade—cannot be levied without some little disturbance of economic margins. This proposition might be illustrated by considering the classical theorem that the remission of rent to all farmers would not lower the price of corn. That is the first approximation. But if the farmers' "margin of saving" was displaced by their increased income, they might be willing to invest more capital in agricultural improvement, and so lower the marginal cost of produce.³ Contrariwise there might be now required a higher rate of remuneration to evoke the same exertion from the cultivator; his new affluence having displaced the margin at which the decrements of the utility of consumption become equal to the increment of the discommodity of labour.⁴

Florez Estrada, Book IV. chap. v.; Prof. Seligman, *Shifting and Incidence*, p. 35 and p. 184, and many other authorities.

Yet in spite of the almost universal practice, I venture to think that there is some advantage in the classification here adopted. It may be observed that though under a *régime* of competition, a tax imposed upon the payment for an article absolutely limited in quantity, such as land, may be viewed as falling either upon margin or surplus, it is otherwise in a *régime* of monopoly: the tax is there certainly marginal.

¹ Compare Hadley, *Economics*, 512, 3.

² Energy representing total utility by a metaphor familiar to the mathematical economist. Cp. Irving Fisher's *Mathematical Investigations*, Part II. ch. 3 (*Mechanical Analogies*).

³ Cp. Ricardo, *Pol. Econ.* chap. viii. "There are no taxes which have not a tendency to lessen the power to accumulate."

⁴ Against the probability that taxation will diminish accumulation, there is the possibility that "curtailment of profit may act as a stimulus" (Mill, Book V. chap. iii. § 3). A very bare possibility, according to Bastable (*Public Finance*, Book III. 2nd ed.). For the cognate doctrine that the impoverishment of the labourer will act as a stimulus, see the apt quotations at p. 16 of Prof. Seligman's *Shifting and Incidence*.

If with Jevons, or still more elegantly with Gossen,¹ we represent that margin by the point along a line at which the perpendiculars to certain two curves become equal, it will be evident that neither tax on profits, nor poll tax, nor licenses, nor any other form of impost under category d will be able to reduce the area representing surplus, without disturbing its boundary.

Some little disturbance of this kind is to be attributed to an income tax, in so far as it strikes the shareholders in a joint stock company. But in so far as it strikes those who are entitled to a fixed payment from the proceeds of a going concern, it affects economic margins only in so far as the reduction of income may cause an alteration in the consumers' scale of demand.²

To the present section belong also consumers'—as well as producers'—licenses. A tax on license to consume a thing differs in its effect from a tax upon the thing, when more than one unit of the thing are, or would be in the absence of taxation, consumed during the period within which the license must be renewed, say a year. If no sportsman wanted more than one gun a year, the effect of a sporting-license in checking demand would be much the same as that of a specific tax on guns. But the license to drink tea for which, as Adam Smith tells us,³ people used to pay so much a head in Holland, would act differently from a tax of so much per pound on tea. It would be a tax on surplus. It would knock off all those consumers who do not derive from the consumption of tea a consumers' rent or surplus more than equivalent to the payment of the license. On the remaining consumers it would act simply as a tax on their income.

ABc.⁴ Let us now remove the barriers which have so far been supposed to separate our "non-competing groups." Let us introduce that mobility of the agents of production which is the essential attribute of domestic as distinguished from international trade, which is an important property of long periods as distinguished from short ones. Admitting the classical hypothesis respecting the freedom of capital and labour, we must accept the classical theorems concerning the effects of taxation: that, in the words of Adam Smith,

"A tax . . . upon the profits of stock employed in any particular branch of trade can never fall finally upon the dealers . . . but always upon the

¹ See Palgrave's *Dictionary*, Art. Gossen, Fig. 3.

² The effect of changes in income upon prices is well analysed by Professor Irving Fisher in his *Mathematical Investigations on Prices*.

³ *Wealth of Nations*, Book V. ch. ii.

⁴ The category thus designated comprises both ABcA and ABcd.

consumers, who must be obliged to pay in the price of the goods the tax which the dealer advances" (*Wealth of Nations*, Book V. chap ii. art. 2).

In the words of Ricardo,

"A tax on the profits of the farmer would raise the price of corn; a tax on the profits of the clothier, the price of cloth" (*Principles*, chap. xv. par. 8).

In the words of J. S. Mill,

"If a tax were laid on the profits of any one branch of productive employment, the tax would be virtually an increase of the cost of production, and the value and price of the article would rise accordingly; by which the tax would be thrown upon the consumers of the commodity, and would not affect profits" (*Principles*, Book V. chap. iii. § 2, par. 1).

I do not know that these expressions can be improved upon. Yet as the attempt to paraphrase our literary classics, which is sometimes made a school exercise, however feeble in itself, brings out more fully the inimitable excellence of the originals, in the like humble spirit it may be allowable to expand the above cited authoritative dicta.

As I understand the "industrial competition" with which we are now concerned, the conditions of equilibrium are twofold—(1)¹ one common to the "commercial competition," which was supposed to exist in our first two sections, namely that in any business the outlay in every direction should be pushed up to the "margin of profitableness,"² and (2) one which forms the differentia of industrial competition; namely, that the "net advantages" in all businesses between which there is mobility should be equal.³

Now let a tax on profits disturb the second condition. If equilibrium is restored by the consumers being "obliged to pay in the price of the goods the tax," it follows from condition (1) that the marginal costs of the business taxed must be raised.

This would, I think, be generally allowed in the most familiar case, that of the "margin of cultivation." Consider the following simplified version of an example which Mill has put among "peculiar cases of value."⁴ "For simplicity we will confine our supposition to two kinds of agricultural produce; for instance, wheat

¹ See *Address to the British Association*, Sec. F, Report for 1889. I have endeavoured to defend this view in an article in the *Revue d'Économie Politique* for January 1891, and in a passage in the *ECONOMIC JOURNAL* for 1896, vol. v. p. 173.

² Cp. Marshall, *Principles of Economics*, p. 433 *et passim*.

³ Or rather equally attractive, as explained by Prof. Marshall in the *Principles of Economics*. I suppose the condition to hold not only for the typical *entrepreneur*, but also when enterprise delegates the task of superintendence—e.g. shareholders in a joint-stock undertaking. *Ceteris paribus*, the chance of profit tends to be the same in one undertaking as another.

⁴ *Principles*, Book III. ch. xvi. § 2.

and oats." There are supposed (by us, not Mill) to exist only "medium soils which, without being specifically adapted to either, are about equally suited to both" products. The relative value of the two grains will of course be determined by the productivity of the marginal dose of outlay on each species of cultivation. Now let a tax be laid on the profits of oat growers. There will be a rush from the cultivation of oats to that of wheat. There will be established a new equilibrium in which, if the demand is constant, the area of wheat-growing is widened, the marginal cost of cultivation diminished; while the converse is true of oats.¹

I have been supposing the land to be owned by the cultivators. It comes to the same if the land is rented from competing landlords, and a tax is imposed on the rent of oats-growing land. We have then an example of Professor Marshall's theorem that *partial* rent does enter into the cost of production, taking as a test of such "entrance" the circumstance that a tax on rent will affect price.

The action of mobility is similar when the tax is not on *surplus*, as we began in this section by supposing, but on *margin*—specific, *ad valorem*, or in kind.²

I propose to illustrate these principles by considering a tax affecting an industry which presumably obeys the law of decreasing returns,³ a tax on the rent of urban dwelling-houses.

Let us take as sufficiently general the case put by the Select Committee on Town Holdings in their Final Report:—⁴

"The typical condition of a town holding under this system [the 'leasehold system'] as regards the parties and their respective interests . . . may be described as follows:—

"(A) The occupier of the house holding at a rack-rent, whether on a yearly tenancy or for a longer or shorter term.

"(B) His immediate landlord, the receiver of the rack-rent, who is ordinarily called 'the owner of the house,' and who holds for a term of years, paying during such term to the freeholder a fixed annual sum, generally called the 'ground rent' . . .

"(C) The freeholder, who receives the ground rent during the term, and on its completion is entitled to the entire property absolutely."

For a first approximation, neglecting the distance in time

¹ Cp. Marshall, *Principles of Economics*, p. 483, note; 3rd edition.

² Regarding the ascending curve on Fig. 2 as an ordinary short-period supply-curve, we are to consider that it is first tucked back as there explained by a marginal tax, and then further—in general and except when the demand of the consumer is perfectly inelastic—furlled in by the migration of *entrepreneurs* from the industry. In the case of a tax on surplus the curve is not tucked back; it is always, not merely generally, but always.

³ See Marshall, *Principles of Economics*, *sub voce* "Margin of building."

⁴ 1892, No. 214, p. 6.

between the different bargains, we may substitute for the three interests A, B, C, described in the Report the three "nations" A, B, C defined at the end of our first section;¹ A importing from B, goods for the manufacture of which B has to import materials from C, materials obtained in constant quantities independently of human effort. Only now B is no longer completely insulated, but is connected with a continent of capitalists, whereby the producers in B are kept as it were at a constant level of advantage. With allowance for this difference the solution is as before: A tax on the product houses—whether levied from the occupant or owner—will have the following effects. The occupants will suffer by having to pay a raised price, not in general raised to the full extent of the tax. The capitalist owners will not suffer though the price which they receive for their product falls;² the net advantage of the industry being kept constant by migration into other industries; the ground landlord will suffer by a diminution of the ground rent. A tax on ground rent, whether levied from the ground landlord or the "owner," falls entirely on the ground landlord.

This is, of course, very pure theory, making abstraction of differences in time, that great source of complications in Economics.³

For a second approximation let us distinguish three periods, (1) the average duration of the occupant's lease, (2) the average duration of the owner's lease, (3) longer periods.

(1) It is not questioned that a tax imposed while the occupant's lease is running rests where it strikes during that period.

(2) A first approximation has already been obtained for this case,⁴ on the assumption that during this period the offer consists entirely of houses already built. On that supposition the tax falls entirely upon the owner.⁵ But we have now to take into account that the offer in general consists partly of houses already built in parts of the town already occupied, say the central area, partly of new houses which may be built on land which has hitherto been agricultural, say for brevity the suburbs.⁶ Now if

¹ Above, p. 56.

² The law of decreasing returns being supposed to act.

³ Cp. Marshall, Preface to *Principles of Economics*.

⁴ Above, p. 49.

⁵ Mr. Cannan clenches the matter thus, "We are not really 'mostly fools.' Who will stand up and confess that he took 76 — Street at £100 a year, and subject to £20 of rates, when an exactly similar house next door, but in another parish, was to let at £100 a year, and only £12 of rates?" (*History of Local Taxation*, p. 134).

⁶ Our problem is here the same as that which forms Mr. Pierson's *third* case (noticed in the *Economic Journal*, vol. v. p. 436); but our solution is not quite the same as his.

we had an exact measure of the advantage of the central area above the suburban periphery we should have an exact measure of the effect of the tax on house rent. Suppose, for instance, in the vein of von Thünen that the net advantage offered by houses of equally costly structure in the respective sites differed only on account of the different fares from each site to a central point. Then since the landlord at the suburbs can only stand out for a certain minimum of rent, that which he might have obtained in the way of agriculture,¹ the occupant in the suburbs has in general to pay the entire tax; and since the occupants of the central area are better off only in respect of the fares they also have to pay the same price for the same accommodation. The case would be exactly parallel to the familiar case of a tax on agricultural produce. The consumer thereof pays the tax except so far as he reduces his consumption; otherwise the landlords are untouched. This would be the solution, if there were perfect rivalry between central and suburban habitations.

But of course the capacity of houses at the circumference to act as substitutes for houses in the centre is not perfect; there is only a partial rivalry.² Since, then, when there is no rivalry, the owners of the central area suffer to the full extent of the tax, and when there is perfect rivalry, they do not suffer at all, it might be inferred that in the intermediate case of partial rivalry the owners would suffer, but not to the full extent of the tax. The inference, however, would not be correct. It is one of the *curiosa* of the theory of *correlated demand*³ that a tax on house rent might so disturb the balance of demand for urban and suburban accommodation respectively as to cause a positive benefit to the owners.⁴ The truth of this proposition is not impaired, because

¹ Professor Seligman is alone, as far as I know, in disputing this theorem (*Shifting and Incidence*, p. 106). I cannot agree with him that Mill's reasoning postulates the existence of a no-rent tract. The reasoning is akin to that on p. 60 above, relating to the taxation of rent.

² Compare Fleeming Jenkin: "The rents through the whole town are ruled by those of the new districts. There is a certain selective value between every house in the town, and if the rents of the new houses are dearer, the rents of the old houses are increased in due proportion" ("Incidence of Taxes," p. 117, *Papers, Literary and Scientific*).

³ *Cp.* above, p. 55.

⁴ Suppose, for simplicity of enunciation, that all the houses at the suburbs are of one kind; and also all the houses in the central area of another kind. Before the tax, let p_1 be the rent of a house, and x the number of houses taken, in the suburbs; and let the corresponding amounts for the central area be p_2 and y . By hypothesis, y is constant. Also, for a first approximation, we may make the classical assumption that p_1 , the rent received by the capitalist-builder in the suburbs, does not vary with the tax. Under these conditions, if a tax proportional to the rent, say the i th part thereof (where i is small), is levied from the

there may be in fact from other causes a centrifugal movement of residents from central quarters. *Pro tanto* the tax may have the effect of diminishing the loss which from other causes is accruing to the owners of residential houses in these quarters.¹

(3) For long periods the solution above given² as a first approximation holds good. We might regard the three interests A, B, C as three bodies held one above the other by a press or "vice," so that the sum of the depths of three bodies is constant. A wedge being driven in between A and B, the bodies—each obeying its peculiar law of compressibility and resilience—will behave as follows. At first A will be compressed to the full extent of the thickness of the wedge; B and C retaining their full dimensions. After a time A will re-expand, in part at least; B will be compressed to some extent, perhaps nearly to the whole extent of the thickness of the wedge; C will remain firm. But leave the bodies alone for a longer time and B will regain its original amplitude, and the compression due to the insertion of the wedge will be divided in uncertain proportions between A and C. It is not to be denied that during the long time required for the working out of these forces, other forces may have come

occupiers in both quarters; for the disturbed equilibrium we have the following equations:—

$$\begin{cases} (1+i)p_1 = p_1 + dx \left(\frac{dp_1}{dx} \right) \\ (1+i)(p_2 + dp_2) = p_2 + dx \left(\frac{dp_2}{dx} \right) \end{cases}$$

Whence

$$dp_2 = ip_2 \left(-1 + \frac{1}{p_2} \left(\frac{dp_2}{dx} \right) \div \frac{1}{p_1} \left(\frac{dp_1}{dx} \right) \right)$$

Whence it appears that the rent received by the urban owner falls to the full extent of the tax, when the demands for residence in the respective quarters are quite independent, and does not fall at all when the two articles are perfect substitutes. In the intermediate case the owner's rent falls, or rises, according as

$\frac{1}{p_1} \left(\frac{dp_1}{dx} \right) >$, or $< \frac{1}{p_2} \left(\frac{dp_2}{dx} \right)$. The former case is, I think, the more probable; but the latter is by no means impossible; for all that we know about the relative magnitude of these partial differentials is that $\left(\frac{dp_1}{dx} \right) \times \left(\frac{dp_2}{dy} \right) > \left(\frac{dp_2}{dx} \right)^2$. Probably $\left(\frac{dp_1}{dx} \right)$ is less than either of the two factors of which the product is greater than its square; but not necessarily. *Ceteris paribus*, the event is more likely to occur, when the demand for urban houses is very inelastic; for suburban houses very elastic. As to the conditions which the demand-functions must fulfil, see article on "Monopoly" in the *Giornale degli Economisti*, 1897.

The proposition is less likely to be true when p_1 is supposed to be lowered (in virtue of the law of diminishing returns, above, p. 60). It is strictly proved only for infinitesimal values of i , but may with probability be extended further. (See end of note¹ on p. 55.)

¹ Cp. above, p. 51.

² P. 61.

into play. The bodies may have expanded from other causes, the press may have been warped so as to allow room for their expansion. But because the given forces are compounded with others known imperfectly, we are not precluded from calculating the resultant of the given ones.

The proof of the general theory relating to long periods may be verified by an examination of some limiting cases in which the statement of the theory requires modification; the frequent occurrence of which cases may account for the prevalence of opposed theories.

(a) In the limiting case when the demand of the consumer, the occupier, is perfectly inelastic he will bear the whole tax. This assumption is more readily made, as it is usual, perhaps proper, to make it in problems about agricultural rent. The possibility of this incident has already been admitted with respect to the comparatively short period (2), and may also, though I think less easily, be admitted with regard to period (3).

(β) Suppose that ground rents are in general very small in comparison with the tax, then of course they can only bear a small part of the tax. May we not explain by this supposition Ricardo's *dictum*?

"In ordinary cases it may be presumed that the whole tax would be paid both immediately and finally by the occupier."¹

So J. S. Mill: ²—

"In the vast majority of houses, the ground rent forms but a small proportion of the annual payment of the house."³

This is of course true of houses in the country; ⁴ not so true now as fifty years ago of urban rates.

(γ) Again, suppose conditions such that only one "dose," so to speak, of building capital can be applied to one parcel of land—say in China or Peru, through the fixity of custom and the mobility of the earth, only a single-storied dwelling of uniform pattern can be placed on each unit of the area available for building. On such a supposition a tax on house rent would fall in general entirely on ground rent.⁵ For the accommodation of the occupants could not be reduced without some of the sites being left unoccupied. Each landlord threatened with the loss

¹ *Pol. Econ.* chap. xiv. par. 3.

² A different view of the Ricardian dictum appears to be taken by Esquiros de Parieu, *Traité de l'Impôt*, p. 74, and some other eminent writers.

³ *Pol. Econ.* Book V. chap. iii. § 6, par. 5.

⁴ Cp. *Wealth of Nations*, Book V. ch. 2.

⁵ Of course supposing the tax not to exceed the rent.

of his entire ground rent will lower his terms until ground rent all round has been, if it can be, reduced to the full extent of the tax.

Upon this or some adjacent less extreme hypothesis, we may account for the opinion of some distinguished writers that the tax on house rent in the long run tends to be mostly borne by the ground landlord. Thus, too, we may perhaps explain what otherwise may seem inexplicable—why the successors of Ricardo should attempt to allocate a certain portion of the house rent to the ground rent.

Thus M'Culloch :—

"Were the supply of houses easily diminished and increased, a tax on their rents would fall wholly on the occupiers and ground landlords, and be divided between them in the proportion which the profit of the capital required to build them bears to the rent of the ground on which they stand."¹

So J. S. Mill :—²

"A tax of so much per cent. on the gross rent falls on both these portions [ground rent and building rent]. . . . The incidence, however, of these two portions of the tax must be considered separately.

"As much of it as is a tax on building rent must ultimately fall on the consumer, in other words the occupier."³

So Professor Sidgwick distinguishes "the portion of the tax which is paid for the value of the house itself" and the "portion that falls on the ground rent."⁴

Now on our present hypothesis (γ) these statements would be true in a particular case, namely, when the tax was equal to the original ground rent plus the constant building rent.⁵ In that case the effects of the tax would be exactly as Mill and M'Culloch lay it down. And it was, perhaps, natural to regard this case as typical; at any rate, when the consumer's demand is supposed perfectly inelastic, when our (α) as well as (γ) is present. In that sub-case the true solution, I submit, is that the division of the burden between the occupier and the ground landlord is indeterminate. But the divisions suggested by M'Culloch and Mill are plausible.

The consonance of this incident (γ) with authoritative *dicta*

¹ *Taxation and Funding*, Part I. chap. i. § 2.

² As against Mill's precise apportionment, Mr. Sidney Webb's contention that "the freeholder. . . has no fixed point of resistance" (*Town Holdings Commission*, 1890, Q. 42-44) is just. His "large jump in value" from agricultural to building land, is not necessary for this conclusion.

³ *Pol. Econ.* Book V. chap. iii. § 6.

⁴ *Principles of Political Economy*, Book III. chap. viii. § 8.

⁵ In the spirit of the classical writers we may here suppose the cost of building constant, even though the supply of buildings should be reduced.

moves me to suppose its existence. A house is naturally thought of by Jevons as an instance of an "indivisible" commodity which forms an exception to the general theory of value.¹ And yet, though a house is indivisible, residential accommodation is not. There may be many "mansions" not only in the archaic sense, but in that which is applicable to the modern "flats." "Increments of villa accommodation," in Professor Marshall's phrase, may be added up to the point² where the price just measures both the marginal cost and the marginal utility of an increment. In short, the law of value for house accommodation is (for long periods) essentially the same for house accommodation as for corn. It might be all very well for Adam Smith, who held that "in the price of corn . . . one part pays the rent of the landlord,"³ to say that "the rent of a house may be distinguished into two parts,⁴ . . . the building rent and the ground rent." But what have we to do with such apportionment of price, or tax, we who have received the doctrine of Ricardo that "rent does not and cannot enter in the least degree as a component of price"; the doctrine of Professor Marshall that "ground rent does not enter into the expenses of manufacture," on an understanding "exactly parallel to that which has to be supplied in order to make Ricardo's doctrine true, when applied to agriculture?"⁵

Dwelling houses, then, belonging to the general category of consumable products, as the highest authorities are agreed,⁶ the taxation of such houses obeys the general laws of the taxation of products which have been enunciated above as pertaining to long periods (3);⁷ abstracting the peculiarities of the "leasehold system" which have been allowed for with reference to short periods (2).

¹ *Theory*, chap. iv.

² "The cases in which a man has to live in a house of a size widely different from that which he prefers, because there is none other available," are exceptional (*Principles of Economics*, Book V., p. 593, note, 3rd edition.)

³ *Wealth of Nations*, Book I.

⁴ *Ibid.* Book V. chap. i.

⁵ See the whole passage relating to the margin of building, in *Principles of Economics*, Book V.

⁶ Thus Mr. Goschen in his *Draft Report on Local Taxation*: "The inhabitant of the house . . . is in reality the consumer of the commodity produced by the builder" (*Local Taxation*, p. 164). So Prof. Bastable regards "houses as a particular manufactured commodity" (*Public Finance*, p. 371, 2nd ed.). Cp. Mr. Pierson, *Leerboek*, 2nd ed. p. 146.

⁷ Above, p. 63. I am confirmed in this view by finding myself able to agree with all that Professor Bastable has said on this subject (*Public Finance*, Book IV. chap. ii. § 5). I concur with his criticism of Professor Seligman that "he seems to give too little weight to the forces that shift taxation on the ground owner."

A practical corollary is that a tax on ground rent hurts the ground landlord more, and the occupier less, than *ceteris paribus* a tax on the occupation-rent, in the long-run ;¹ theoretically even, and apart from friction (*a fortiori*, of course, when we restore the concrete circumstance that taxes are very apt to rest where they strike²).

In this argument no use has been made of the circumstance that all the leases do not fall in simultaneously. But it will be found that this concrete circumstance does not invalidate the broad conclusion of pure theory, that there is an essential distinction between the effect of a tax on ground rent, and that of a tax on occupation-rent. To fix the ideas, we might suppose occupation leases to be on an average for seven years, ground leases for seventy years. Thus every year on an average the leases of a seventh part of the houses in any given urban area would fall in ; and in a tenth of these cases the ground leases would also fall in, and the sites would be offered to capitalist-builders ; supposing as a first approximation that the duration of the ground lease coincides with that of the house. Upon this supposition a tax on ground rent would as before fall entirely on the landlord ; a tax on occupation-rent would not in general have that effect. The effect of the latter kind of tax would not indeed be exactly the same in the concrete case of rotation and the imaginary case of simultaneous bargains.

But the differences between the abstract and concrete cases will not, I think, repay examination. I am already sensible indeed that the investigation of economic forces which require some seventy years to work themselves out may seem to have been prolonged beyond the limits of applied theory. I submit, however, that the argument is not so abstract, the reasoning is not deduced through so artificial a chain of remote consequences as

¹ The reluctance on the part of common-sense and even of trained intelligence to accept the theory here maintained, that there is an essential difference between the effects of a tax on ground-rent and a tax of occupation-rent, may be accounted for by the tacit assumption that the amount of building is given and constant, irrespectively of the tax. Consider, for instance, the remarkably clear statements of Mr. Clements in his evidence before the Town Holdings Commission (Q. 1,969).

The argument which he illustrated by the example of a particular actual house (Q. 1,970) tacitly assumes that the amount of house accommodation demanded by the occupier is constant, whether or not the occupier pays an *ad valorem* tax (See notes).

For other direct contradictions of the theory here advanced see *Town Holdings Committee*, 1887, Q. 3,360 ; 1888, Q. 2,736, 2,837, 4,446, 9,357 *et passim* ; or put the question to any practical man.

² Prof. Thorold Rogers advocated this view very strongly in his evidence before the Town Holdings Commission.

at least one of the classical theorems of taxation which are still accepted by economists;¹ I mean Senior's doctrine of tithes. In this argument, as interpreted by Mill, the links seem to be as follows: rise in the price of agricultural wages, rise in profits, check to accumulation, check to the production of food, check to the growth of population, check to the rise of rent; comparatively to the checks which would have occurred in the absence of the tax. But it is not my design to determine the limits of applied theory, or to uniformly cover with examples the field so demarcated. I aim only, at least in this first article, at a restatement, with slight modifications, of the classical laws of incidence, and a partial exemplification of the restated theory.

It will be understood that the application of the theory in this section has been adapted to the typical case propounded; modifications of statement would be required by the circumstances that there may be not only one, but several lessees between the ground landlord A, and the occupier C; that the duration of a house may exceed the period of the building lease; that the transfer of accommodation may be effected by sale or "feu," instead of lease; that houses may be used for business, as well as for habitation; that the ground landlord may act as a capitalist; that rates may differ in different parts of the same town; that house accommodation in different towns forms "rival" commodities; and many other incidents more or less important in practice.

From the point of view of pure theory the following modifications are more interesting. Perhaps the investments which are open as an alternative to an intending builder are not indefinitely extensive in comparison with the house-building industry—at any rate for periods not indefinitely long. The effect of mobility would then be to have connected our island B, not with a vast continent, but only with another island.² The joint island might then form a "nation" of capitalists, virtually appertaining to our first section, rather than the present one, obliged to submit in consequence of the house-tax to some permanent reduction in profits.³

Again, the building industry may be affected by the law of increasing returns, the operation of which we have next to consider.

¹ E.g. Bastable, *Public Finance*, and Seligman, *Shifting and Incidence*.

² Above, p. 56.

³ This sort of intermediate case between perfect mobility and immobility is treated by Professor Pantaleoni in his highly original *Traslazione dei Tributi*.

Ab. The old distinction between increasing and constant (or decreasing) cost presents difficulties to the newer analysis. For if any producer can continually increase his supply at a constant or diminished cost, there appears no general reason why he should not, cutting out his competitors, supply the entire market.¹ The classical conception of constant cost presupposes a limit to the production of each individual. The newer idea of expenditure pushed up to the margin of profitableness, in a *régime* of competition, implies the law of increased cost.² The law of diminishing costs, as Cournot argues, is only intelligible on the supposition of monopoly.³

How then can the law of diminishing cost co-exist with competition? How can a larger offer go with a smaller price? How can the supply-curves of the kind which Professor Marshall has made familiar be ever conceived as *descending*?

The better opinion appears to be that such a downward trending *locus* is not to be regarded as a supply-curve in the primary⁴ and obvious sense, not as representing the offer which in a given state of industry would be forthcoming at different prices; but as compounded of, or derived from, a series of such primary curves, which Mr. Cunyngname in his path-breaking essay on the subject⁵ has called "successive cost curves."

It has happened to some of us to ascend a mountain slope just up to the point where the desire was just compensated by the difficulty, of further progress. Such is the position of the economic man on a primary short-period supply-curve sloping upwards.

Suppose that, as a party of mountaineers press up a steep slope, the opposing crest gives way, and they are carried down by a sort of avalanche, and landed on a new inclined plane. Again they urge their toilsome march upwards; and again, before the crest is reached, they are precipitated on to another ledge

¹ Cp. Marshall's *Principles of Economics*, 2nd and 3rd editions, Book V. ch. xi. *et passim*.

² Thus in the luminous illustration which Prof. Marshall has given in note xiv. of the Appendix, 3rd edition, the total outlay of a master-builder, considered as a function of different classes of labour x_1, x_2 , and different kinds of raw materials y_1, y_2 , &c., and other kinds of variables, must be such that the second term of its expansion fulfils all the conditions of a *maximum* (above, p. 46, note 3); otherwise the statements made, e.g. on p. 802, par. 2, would not hold good.

The theoretical difficulties connected with the law of increasing returns are frequently referred to by Prof. Marshall in his later editions.

³ *Principes Mathématiques*, Art. 50, p. 102.

⁴ See the reference to the subject in a former article, *ECONOMIC JOURNAL*, vol. iv. p. 436.

⁵ *ECONOMIC JOURNAL*, vol. ii. p. 41.

below; and so on till they are brought to a stop on some steep and comparatively firm slope. Their path in space, though in reality saw-shaped, might appear to one taking a general view to be a curve-line. Such, perhaps, is the nature of a competitive industry obeying the law of increasing returns: confined for short periods on an ascending supply-curve, extended during long periods down a descending supply-curve.¹

Suppose that our party, after coming to a stop on a short slope, were to be incited by some fresh stimulus; they might break through another crest and descend through a distance out of all proportion to the exciting cause. Conversely, the imposition of a new burden might have prevented such progress from occurring. It is thus that, in an industrial *régime* of the kind considered, a bounty is apt to lower price,² a tax to raise it,³ to a disproportionate extent.⁴

But, if the law of increasing cost is fulfilled in its natural and obvious sense, if the primary or short-period curves are descending, presumably the case belongs to *Monopoly*, the subject to which we next proceed.

F. Y. EDGEWORTH

¹ The idea of a curve of many branches was propounded by the present writer in his Address to Section F of the British Association (note J), 1889. The date explains one serious omission, that of "external economies," pointed out by Professor Marshall in the *Principles of Economics*.

² Marshall, *Principles of Economics*, Book V. chap. xii. § 4.

³ *Ibid.* Cp. Mill, *Pol. Econ.* Book V. chap. iv. § 2, end.

⁴ A tax on a rival might of course act as a bounty; e.g. duty on foreign imports as a bounty to native producers.

Professor Carver's argument (*Yale Review*, Nov. 1896) that, when an import tax is levied on a commodity which is produced at home under the law of increasing returns, the consumers may possibly bear no part of the tax, is not, I think, as he seems to apprehend, "opposed to the best orthodox teaching"; unless orthodoxy be defined very straitly. The argument is used by some of the highest modern authorities, to whom I have referred in a former article [*ECONOMIC JOURNAL*, 1894, Vol. IV. p. 48]. I don't know that they would accept his reply to the objection that the price—after being lowered in consequence of the tax—"might be further lowered by removing the tax." "This might be temporarily," says Prof. Carver, "while it is probable that the same prices which kept the price up before the duty was first levied would ultimately bring about the same conditions after it was removed."

REVIEWS

Siedelung und Agrarwesen der Westgermanen und Ostgermanen, der Kelten, Römer, Finnen, und Slaven. Von DR. AUGUST MEITZEN. (Berlin: Verlag von Wilhelm Hertz, Bessersche Buchhandlung. 1895.)

It is altogether impossible to compress into a short notice any adequate review of so elaborate a work as that which Dr. Meitzen has given to the public under the above title. It consists of three closely-printed volumes of text and notes, and a fourth volume of most valuable village plans, maps, and illustrations.

These volumes contain the results of the labours of a lifetime, and form an encyclopædia of facts for which the student of economic history cannot but be grateful. Following in the steps of Hanssen, Dr. Meitzen has adopted the method of personal examination of local facts on the spot, and this gives a unique value to the work apart from the conclusions laboriously arrived at by the author himself.

Dr. Meitzen starts with the conviction that the period of passage from nomadic and pastoral to settled agricultural life must be regarded as the stage in German economic history resulting in that peculiar form of settlement which he regards as the typical German *dorf*. He describes this *dorf* as consisting of the homesteads of from ten to thirty households huddled together into an irregular group and surrounded by open fields, divided into several *gewanne* or furlongs of cultivated land, in each of which every household had its appointed share, the unploughed area remaining as common pasture.

In a map which only wants colouring to make it tell its tale at once, the district is marked out in which this German *dorf* system, in his view, was originally developed and from which it afterwards spread.

This original district formed a wedge starting from the water-shed north of the Roman Limes between the Saale to the east and the Weser to the west, and widening northwards so as to include the country between the Weser and the Elbe and ultimately Scandinavia,

Dr. Meitzen considers that within these limits the German *dorf* system developed itself and has ever since maintained its ground. On the west of the Weser the Westphalian *einzelhof* takes its place, and on the east of the Saale the Slavic *runddorf*.

Dr. Meitzen considers that the German dorf system never extended over Westphalia and that if it ever extended eastward beyond the Saale it was supplanted by the Slavic runddorf before the advance of Slavic conquest westward was stopped by Charlemagne. If the German dorf system be found sporadically eastward or westward of these limits it must have been imported from the region in which it was developed and which therefore was its proper home. It is very remarkable by how sharp a line this district is still separated from that of the Westphalian einzelhof on the one side and that of the Slavic runddorf on the other, and obviously these facts require adequate explanation.

Dr. Meitzen considers that the passage from the nomad to the settled agricultural stage was made by the Germans between the time of Cæsar and Strabo and that of Tacitus. Cæsar and Strabo, he says, describe the Suevi, Longobardi, and Hermunduri, as mostly in the nomad stage, only near the Rhine had they *vici*. Tacitus, a century later, describes all the Germans as settled, and Dr. Meitzen seems to think that during this interval they had in their above-mentioned home adopted and developed the German dorf system.

Assuming the correctness of this hypothesis, the spread of the system southwards, when they passed the Limes and settled in South Germany at the time of the *Volkerwanderung*, seems natural enough, when taken as a general fact, and it is consistent with the hypothesis to assume that on the Saxon invasion of Britain the German dorf system was introduced by the invaders.

The chief difficulties which Dr. Meitzen has to overcome are connected with the German conquest of Celtic regions. Speaking broadly, wherever he finds in these regions a village system with open field scattered holdings he readily assigns to them a German origin. On the other hand, he considers that the einzelhof wherever found upon once Celtic ground may generally be regarded as Celtic.

This is a very bold generalisation, but Dr. Meitzen has taken much pains to establish it, and his evidence is by no means lightly to be set aside.

The districts on the left bank of the Weser, including the region of the Westphalian einzelhof, though anciently Celtic were very early conquered by the Germans from the Celts—so early indeed that Dr. Meitzen's explanation of the phenomenon of the persistence of the einzelhof in these districts is that they were probably conquered before the Germans had adopted settled agriculture and developed their own dorf system. They could not introduce a type to which they were not themselves as yet exclusively committed and so the old Celtic isolated homestead was left to survive.

There are indeed districts in Holland, referred to by de Laveleye and more recently by the writer of an interesting article in the *Quarterly Review*, where the open field system in its usual German form with some variations is still prevalent. But Dr. Meitzen apparently regards

these instances as of late introduction. The really ancient Frisian type like that of Westphalia was in his view the Celtic einzelhof.

Dr. Meitzen considers that a reason may be found for the distinctive difference between the German dorf system and the Celtic einzelhof in a fundamental difference of type in the structure of German as compared with Celtic social organisation from the very first. This is no new theory with him, but one consistently maintained in earlier publications.

His view is that the Celtic and German races have throughout followed different lines in their economic development, starting from what he regards as fundamentally different original forms of economic and political organisation.

No doubt both Celts and Germans were originally nomad and pastoral, but he contends that the two peoples had throughout a different conception of political power and leadership. The polity of the Celts was founded on a patriarchal basis, that of the Germans on a military one. The Celts had their patriarchal chieftains and kings and over-kings, and, as permanent settlement became needful, the chief's homestead grew into the centre of the clan district, and, on patriarchal lines, anything like division of the land among equals on the dorf system was out of the question. The natural result was the einzelhof.

On the other hand, the German polity was essentially military. The German Princeps was the captain in war, and the magistrate and judge in time of peace. But he derived his jurisdiction from the choice and election of the people or Gau-gemeinde. The German form of settlement grew up, naturally, out of this. The land belonged to the Gemeinde, and the German dorf system was the result of the working out of the equal rights of the individual members of the Gemeinde at the time of settlement.

But, granted that the einzelhof was of Celtic origin, it occurs to Dr. Meitzen that it might at first sight seem unlikely that it should have been developed, or have survived, in districts so early conquered, and so long under Roman Rule as the Celtic districts of Gaul. But he meets this difficulty by showing that, however much the Roman occupation of Gaul may have influenced the agricultural system of parts of Gaul, it did not as a matter of fact prevent the einzelhof arising in the Celtic district west of the Weser, i.e., in Westphalia, Frisia, and Belgium, and in the south-western two-thirds of France.

Years ago it was my privilege to meet Dr. Meitzen at Treves whilst he was examining the traces of centuriation in that exceptionally Romanized district. But, throughout the great Celtic district just mentioned, Dr. Meitzen states that he has found hardly any traces of Roman centuriation. It is easily traced on the map of Italy. But neither in Westphalia and Belgium, nor in the south-west of France, are such traces to be found. So that the einzelhof must not be regarded as Roman. It must be Celtic.

Dr. Meitzen thinks that he can trace other marks of Celtic origin.

The Westphalian house differs from the Middle German house, and he thinks it can be traced to the same type as that of the Irish and Welsh tribal or clan house on what he calls the "dreischiffig" plan. He apparently, however, overlooks a difference which surely is great enough to suggest doubts on the supposed identity of type. They may be alike in the oblong form, and in the large size of the structure with low sides and great roof and gable ends. But may it not be said that the Welsh, and Irish house, which Dr. Meitzen calls the Clan house, was not a *hof* or farm homestead at all? It was the drinking and sleeping house of the greater or lesser chieftain, his household, and retinue—the scene of their nightly carousals. The Irish and Welsh homestead was a complex unit. It was composed of several separate houses besides this great house. In Ireland, according to the *Crith Gabhlach* the kitchen, the pigstye, the calf-house, and the sheep-house were all separate; and in Wales the provision for the chieftain consisted of nine buildings according to the Welsh codes. On the other hand, the essential feature of the Westphalian house is that all the necessary domestic and farm buildings are absorbed under its single roof. The household and the cattle, the granary and the waggons are all contained within it. It is quite true that the Irish cabin and the Westphalian house resemble each other in this respect, but the Irish cabin, with its heifers, and its pigs, and its poultry under the same roof as the family, is not the "clanhouse" described as "dreischiffig" in the Brehon and Welsh laws, upon which the analogy is founded.

It is difficult, therefore, altogether to follow Dr. Meitzen in this conclusion that the *einzelhof* is necessarily Celtic and the *dorf* system German in any distinctive and exclusive sense. It may well be that with more or less German help, or without any extraneous help, there might grow up within a Celtic area, both isolated separate farms, and a village system with its open fields and intermixed strips all of Celtic origin. And the converse may conceivably be true also that both the *dorf* system and the *einzelhof* might grow up under different conditions on purely German soil. May not the *einzelhof* be the natural result of the preponderance under some conditions at the time of settlement of cattle over corn? Or may it not sometimes be the result of forest clearings by individuals or families? On the other hand, do we not find that a village system, with its open fields and intermixed strips, in one of many varieties, seems to be the common form under which, after fixed settlement by communities, primitive agriculture was exercised nearly all over the world?

To proceed, however, with Dr. Meitzen's further conclusions:—In the central home in the district between the Weser and the Saale lived—according to Tacitus—the Suevi, the oldest and noblest branch of the Germans. From this ancient hive the German race had spread. Even before Cæsar's time the Gauls had been driven across the Rhine by the Germans, but whilst, in the earlier conquered tract between the Weser and the Rhine, the Celtic form of settlement on the *einzelhof*

system was, according to Dr. Meitzen's theory, left unchanged, the somewhat later German occupation of the district on the left bank of the Rhine by the Vangiones, Nemetes, and Triboki, and the occupation, by the Hermunduri, of the valleys of the Maine and the Tauber took the form of the dorf system, notwithstanding that they were previously old Celtic districts. The dorf system, he suggests, had obviously been developed before these German occupations took place.

But here again let us pause for a moment. The German occupation of the districts west of the Rhine followed close upon the time of Cæsar, and was accomplished before the time of Tacitus. The century during which, according to the theory, the dorf type was presumably fixed surely was hardly sufficiently advanced to justify the supposition that the dorf system was introduced ready-made by these early immigrants into Gaul. The fact that the village system with open fields exists there now with German place-names does not go far to prove it. We trace the change from Latin into German forms, and the growth of new German place-names in the cartularies of the abbeys in the seventh and eighth centuries—and it would be a bold venture to carry these place-names back to the original settlements in the first and second centuries A.D. Even granted that the German dorf type had been already so early sufficiently fixed to be thus introduced, out of what had it sprung? That corn was grown in great quantities in Helvetia and Gaul and Britain in, and from, Cæsar's time we know. Upon what system was it grown? I confess I think the probabilities are that it was grown upon the open field system; a very simple and undeveloped form of it most likely, common to both German and Celts. The agricultural method of the Germans, as described by Tacitus, finds its nearest resemblance in that prevalent in Wales under the tribal system. The Welsh "coaration of the Waste," and the German "arva per annos mutant et superest ager," closely resemble each other, and belong to the same early stage of agricultural development. Why then, in the early conquered Celtic Rhenish regions, should the village system be regarded as exclusively German? And, when we come to ask what was it which enforced settlement and settled agriculture in these German districts on the left bank of the Rhine, must we not take account of the centuries of Roman rule? And, seeing that in Cæsar's time, as Dr. Meitzen mentions, the Germans already had *vici* on the Rhine and nowhere else, is it not possible that the village system may have developed even more rapidly in these Rhenish districts than in what he regards as its German home north of the Limes?

There are two interesting instances cited by Dr. Meitzen, and illustrated by maps, which, at first sight, suggest that the German open field system had imposed itself on Roman ground after surrender by the Romans, on both sides of the Rhine.

The first case is that of *Heiteren* in Elsass (Anlage, 44), and the other that of *Friedberg* in the Wetterau (Anlage, 34). In both these cases there are clear indications of Roman centuriation, and in both

the squares of the *Centuriæ* have been filled up by the strips of the open field system.

The value of maps such as these cannot be overrated, but what is the conclusion to be drawn from them?

These villages, once in Roman occupation, were probably islands of Roman centuriation in the midst of a country of open field husbandry, otherwise, why are they isolated instances? When the Roman occupants left, the open field, if prevalent, would naturally spread itself over the vacant ground, and place its strips within the lines of the centuriation. It is even possible that under Roman rule the Roman occupants had divided up the *Centuriæ* on the prevalent system into strips. Each *Centuria* probably contained the allotments of several veterans, and they may have themselves adopted the open field system, even in Roman times. It must not be forgotten that the Roman Agrimensor *Siculus Flaccus* states that "in many regions" the open field system was prevalent, presumably even in Italy, outside the settlements laid out under the auspices of the Augurs.

Interesting, therefore, as such instances as these may be, they leave the question of origin very much where it was. Occurring as they do in a district in which there were *vici* in the time of Cæsar, and in the second case in a locality in which, according to the testimony of Ammianus Marcellinus, the Germans had adopted the Roman type of homestead, they are, at any-rate, consistent with a wider and more complex origin than that of a ready-made importation from the German home, whether in the first century or the fifth.

The most likely theory may be, after all, that the agricultural system of the European tribes north of the Alps, Celtic and German, grew out of the simple form of open field agriculture common to German, Slavonic, and Celtic tribes, and variously developed under various circumstances into the settled open field agriculture of a village system wherever settled and permanent agriculture became predominant over the more roving pastoral element. That the Germans, and the Slavs, and the Celts adopted somewhat different forms of it may easily be allowed, but would even Dr. Meitzen, as a German, push his doctrine of the distinctive character of the German *dorf* system, and its subsequent transplantation, so far as to claim a German origin for the system of open field agriculture which is prevalent throughout the great corn-growing districts of France from the Chartrain to the extreme points and islands off the coasts of Brittany? It would be altogether unfair to suppose that he would do so. And yet we must stop somewhere. Perhaps a final judgment cannot be arrived at till some one shall have followed Dr. Meitzen's example and devoted the same kind of labour to the examination on the spot of the agricultural system of the French corn-growing districts as he has devoted to German districts. The opportunity lies open to any one. As I once pointed out in this review, there are records in the *Polyptique d'Irminon* two centuries earlier in date than our English

Domesday survey, and covering a wide district of central France. Every Commune, moreover, has its own public map of its open fields to be seen at the Mairie, and its own little record of its *usages locaux* to be bought for a franc. What an opportunity for a French student, or, better still, for a little *gemeinde* of students—English, German, and French—to divide France between them, and to do for France what Dr. Meitzen, singlehanded, has done for Germany, adding to the joint report of their labours a collection of maps like that which forms so important a part of Dr. Meitzen's great work. The interest, which must always attach to the German dorf system, will not be lessened by patient studies of analogous systems, whether the theory of their German origin be eventually confirmed or not.

But, leaving uncertain Celtic ground, we have yet to notice the valuable chapters relating to the Slavic districts.

Dr. Meitzen long ago did excellent work in tracing the marks of Slavic conquest and German reconquest of Slavic lands, and these earlier labours stand him in good stead on the present occasion. Good examples of the Slavic Runddorf are added in the volume of maps.

The distinctive feature of the Runddorf is not only its oval shape. The homesteads, instead of being huddled together in an irregular cluster as in the German dorf, are placed with considerable regularity round the edge of an oval green, enclosing it on all sides, leaving only a single entrance, so that the oval space forms an enclosure into which the cattle of the villagers could be driven for safety and shut in. Dr. Meitzen points out how, whilst the public road generally passes through the middle of the German dorf, in the Slavic district it passes outside the entrance to the Runddorf which is in fact a *cul de sac*.

There are villages in the Slavic district with the homesteads in a line on both sides of the public road forming a street, but these Dr. Meitzen refers to the period of the reconquest of Slavic territory under Frankish influence. Both kinds of villages—the Runddorf and the other—are found also in Denmark. It would be exceedingly interesting if the two types could, in Scandinavia also, and wherever they are found, be taken as evidence of Slavic and Frankish settlements, but the necessity of folding and protecting cattle seems to be the natural *raison d'être* of the Runddorf, and the predominance of cattle over corn at the time of settlement might afford sufficient reason for its adoption by settlers of both Slavic and German origin. The "folds" of Yorkshire are explained by the necessities of a pastoral district. The latter are generally a square surrounded by homesteads; they have one entrance only; and their object was probably the same as that of the Runddorf. Further information on the distinctive differences between the German open field system, and that surrounding the Runddorf, may be needed before the theory of the distinction by hard and fast lines of the German dorf system from the Slavic can be regarded as finally established. Still, the interesting fact remains that on the right bank of the Saale, and along the margin of ancient Slavic

conquest, there are found numerous examples of the round form of village which Dr. Meitzen in former publications, as well as in this, has regarded as typically Slavic, and there is certainly much to be said in favour of the hypothesis.

If the wide prevalence of the open field system in one form or other in Celtic and Slavic as well as in German lands makes it very difficult to concede altogether the German claim that the dorf system is the single parent out of which have sprung the French and the English very similar systems, may it not also be said that the all but universal occurrence of something like the patriarchal stage in the economic development of the tribes of Europe and of Asia makes it very difficult to believe that the Germans are the only people who have escaped from passing through it?

As regards the Celts Dr. Meitzen has no doubts. Their system was patriarchal and tribal, *i.e.*, in his way of putting it, a *clan* system. He is not quite so sure about the Slavs, but his chapters on this branch of his subject are well worth study. The house-community of the Southern Slavs as it now exists, and as far as it is historically known, seems at first sight to stop short of the *clan* system. The household of three or four generations hold together as a house-community. But evidence fails of the existence of the wider tribal tie keeping the several house-communities after they have divided, still bound together as an extended kindred or *clan*. Dr. Meitzen, in a very interesting and valuable chapter, traces how house-communities after division may in the end have grown into a dorf with its open fields and intermixed strips, but he finds no clear trace of the *clan* tie between them. In other words he shows how the Slavic *Runddorf* may have grown out of the joint settlement of a group of house-communities without reference to the tie of a wider kinship. But this is only negative evidence. The *clan* tie may have existed during centuries as to which we have no evidence. And there are two facts mentioned by Dr. Meitzen which may possibly point to the prevalence in early times of the now missing link.

The first is the existence of the "*zupa*" or place of refuge for a certain district or group of house-communities, empty in time of peace, a place of refuge for people and cattle in time of disturbance, like the Celtic "*dun*" and the Irish "*liss*". What if the tie which united these groups of house-communities were the wider tie of the *clan*? The districts surrounding the places of refuge were known as *civitates* in mediæval Latin documents, and the division of the Northern as well as the Southern Slavic countries into *civitates* shows how widely the system was prevalent whatever its character. At the same time the system seems to point back to the pastoral stage of tribal life—and the Celtic analogy would suggest that the groups of house-communities may have been related by kinship, and united under a tribal chieftain. The second point is more significant still. In Wales the patriarchal conception forced itself even into the chieftain-

ship. So it did anciently in the instance of the Polish Kingdom. The Kingdom was in a sense regarded as a family possession. The sons of the princes divided it among them. Yet it was regarded as a coherent whole and as the common possession (*Gemeingut*) of the princely family, and the oldest as head chieftain (*Grossfurst*) kept the unity of the whole together by a sort of overlordship. These may well be traits of a tribal organisation.

Granted, then, that the polity of both Celts and Slavs was originally based upon a tribal and patriarchal foundation, are the Germans of Tacitus to be regarded as having been clearly exempted from the common experience? Why is not the German organisation on a military basis possibly a stage only in the life of a people whose polity like that of others was once patriarchal and tribal?

At the point at which history comes in contact with them, the Germans on the Continent like the Saxons in England may already have passed through experiences and stages which had resulted in the submersion of the tribal under a military organisation. The acquisition of new lands by conquest, and final settlement under agricultural rather than pastoral conditions, might well have forced the change and hastened the passage from one stage to another in a people's life—in one case earlier than in another—and thus it seems possible that Dr. Meitzen, naturally following a national bent, may after all be claiming for his nation a rather too distinctly unique position amongst European peoples, both when he claims for the original German an exemption from the *clan* and patriarchal stage of economic development, and also when he seeks to establish the distinctive character of the German dorf system as the result of equal division amongst a community of individual freemen under military organisation. The acknowledgment of a greater common element in the economic growth of German, Celtic, and Slavic races would perhaps modify his theory of the original development of the dorf system in the district between the Weser and the Saale, and its transplantation ready-made into other countries.

Be this as it may, the economic student will gratefully acknowledge that he finds in these volumes, not only an encyclopedia of facts, but also abundant food for thought, and encouragement for further research. This imperfect notice has left unmentioned much valuable material well worth careful examination from points of view other than that of the critic of the main argument. Nor will Dr. Meitzen's life-long labour fail to impress English students with the necessity of the study of a wider range of facts than those relating to a single country before the problems of their own early Economic History can be advanced many steps towards solution.

F. SEEBOHM

Industry in England. By H. DE B. GIBBINS. (London: Methuen and Co. 1896.)

MR. H. DE B. GIBBINS has within the modest compass of a single volume of 474 pages told the History of Industry in England, if not in a very remarkable manner, at any rate with a large measure of competence. His assortment of facts is copious, interesting, and tolerably familiar, and the tale is told with spirit and benevolence. Such a book need not be original to be effective, and the author candidly confesses his obligations to the works of Thorold Rogers, Cunningham, and Ashley. *Non omnia possumus omnes*. It would be exacting to expect from the same pen fresh tidings alike of the Neolithic and of the Victorian age. To our thinking Mr. Gibbins inclines to be too Neolithic. Even if we grant that "the prehistoric populations of the British Isles left traces for centuries upon our agricultural industry and village customs," we are reluctant to accord to them as many pages as the author consecrates to the description of Modern Industrial England. We cannot help thinking too that Mr. de Gibbins would have done wisely to avoid the vexed question of Manorial origins, or at any rate to have skated over that treacherous piece of ice with all the nimbleness at his command. For, although the author has read several important works upon the manor—for he knows his Seeböhm and his Vinogradoff and his Gomme—yet his acquaintance with the literature of the subject is not sufficiently exhaustive to enable him really to speak with authority. We see no reference to Andrewes' or to Flach's admirable second volume, or to Meitzen's monumental work, or to Pollock and Maitland's *History of English Law*. It seems to us, therefore, that the author would have done well either to have elaborated this part of his work more or to have elaborated it less. A fuller account of the growth of Trades Unionism, or of the Industrial Policy of the English Parliament in the Eighteenth Century, would have consoled his readers, had the author chosen the latter alternative. As it is, we are left with an interesting but necessarily meagre summary of the industrial movements of recent times, which whets, but does not satiate, the appetite. For the author does not seem to us to be quite at his best in the middle ages. For instance, his views on the origin of the English towns should, we think, have been somewhat modified by Professor Maitland's article in the *English Historical Review*, vol. xi. pp. 13-19, and Hegel should certainly have been consulted on the Anglo-Saxon gilds. So, too, the section on the Jews might have been improved by reference to the publications of Jacobs and of Abrahams. Finally, is it not a little hard upon the nobility of France, of Germany, of Italy, and of Spain during the thirteenth century that they should be sentenced upon the word of Taswell Langmead's *Constitutional History*, an excellent book no doubt, when we wish to pass an elementary examination, but hardly one from which to frame so spacious an indictment?

We do not, however, wish to imply that this book is a mere compilation. The author has used both his eyes and his judgment. He differs, for instance, from Professor Ashley on the peasant revolt of 1381, and from Professor Cunningham upon the estimate which he forms of certain factors in the agrarian revolution of the Eighteenth Century, and in both cases we believe him to be right. Again, he stands half-way between Thorold Rogers and Denton in the dispute which rages over the beatitude of that much vexed Labourer of the Fifteenth Century, and this is clearly the judicious altitude to strike. Further, it is well that Mr. de Gibbins should point out that, when we talk about the progress of the working classes, we should compare the present rate of wages not with those fifty years back, when the working classes were in a condition of abnormal depression, but with those a hundred years back ; but although we agree with the author that rents have risen and common rights and subsidiary employments have disappeared, it is surprising to us to learn "that almost every necessary of life except bread has increased in cost since 1790."

Mr. de Gibbins has improved upon his last work in one important particular. Less space comparatively is devoted to the denunciation of the political and to the exaltation of the economic historian. We quite agree with Mr. de Gibbins that the day is past for anecdotic history, but we hold that wars and political combinations and literature, even if it take the shape of "pretentious vapourings of second-rate philosophers and pamphleteers," are factors in the spiritual experience of a nation which it is necessary to understand. They have, too, their economic significance, and it is possible that even "the bloodstained political fireworks of the French Revolution" may deserve the attention of the historian of Economics, however strictly he may determine to view the world in terms of pounds shillings and pence.

H. A. L. FISHER

Economic Science and Practice. By L. L. PRICE, Fellow of
Oriental College, Oxford. (London : Methuen and Co. 1896.)

It is possible that these essays on the relations of economic science and practice may not have so many readers as their maturity of thought and intellectual fairness deserve, but they can hardly fail to impress those who read them with attention as the utterances of a genuinely scientific mind. Most of them touch upon matters of common interest, and some of them deal with what are known as "burning questions," but the object in every case is to interrogate experience, not to bring out a party conclusion. The keynote of the volume is struck in the first essay, on "Some Typical Fallacies of Social Reformers." In it the writer records a needful protest against the tendency of many philanthropic persons to suppose that all the evils of society can be cured by a single panacea like co-opera-

tion or profit-sharing. "There can be little doubt that society, if it is not to run counter to all the experience of the past, will continue to be characterised by diversity and not uniformity, and that, therefore, there may be room for the trial and adoption of many schemes of social reform" (p. 16). A still more needful protest is made against the abuse of abstract economic ideas by men who pique themselves on being practical. Public men often pick some striking phrase or wide generalization out of an economic treatise, and pass it round, sometimes without understanding it very clearly themselves, and usually omitting all the restrictions and qualifications of the original context. Thus "the theory of 'the unearned increment,' as a theory, can hardly be impeached. But when we consider it as a guide to practical action, we must, if we are not to go astray, keep firmly in mind the limiting conditions of the application of theory to practice. . . . The separation between the earned and the unearned increment, so clear and definite, and precise in theory, is blurred and uncertain in practice" (p. 5). In England, at all events, the landlord of agricultural land is a partner in production, and the income which represents his past expenditure in improvements, is not easily separated from the income which is derived from the natural advantages of the soil. It is not land alone which may yield an unearned increment. At this very time, when so many schemes for appropriating the unearned increment are rife, agricultural land produces nothing of the kind but has undergone a heavy fall in value. The diminution in the means of the landowners has discouraged improvement, or even produced a deterioration of the land, and other interests, for example, those of education or of charity, have shared the misfortunes of the landed interest. But Mr. Price is so little of a partisan that he admits the justice of a well-considered scheme of "betterment" in the case of urban improvements which confer a definite advantage upon a definite class of owners.

In the six following essays Mr. Price examines various methods of industrial reform in the light at once of experience and of theory. Instead of arguing *a priori* to the results which certain methods *must* produce, he asks what results they have produced, and why. Thus he finds that co-operation, whilst it has achieved a wonderful success in certain directions, has not achieved that success which some of its first and ablest advocates expected. It has not led to the supersession of employers, nor does it seem likely to do so in the near future. The employer turns out to be a more necessary agent in production than Mill, for example, would have believed. The principle of profit-sharing might seem more certain of success than the co-operative principle, since it combines management by one skilled head with a direct appeal to the self-interest of the wage-earner. Yet profit-sharing has not achieved even the partial success of co-operation. The workman has generally thought that he got too small a share of the profits and forfeited too much of his independence. Experience shows that more has been done for industrial reform by industrial conciliation than by

profit-sharing or co-operation. Industrial conciliation presupposes organisation on both sides. Trade unions have supplied this organisation to the workmen. Although formed for industrial war, they have on the whole promoted industrial peace. Less ideal in character than the co-operative association, the trade union has shown itself more generally suited to the conditions of modern industrial life. To say this is not to deny the faults of unionism or the merits of co-operation. The experience of the past would lead us to expect in the future not one but many types of association. Diversity, not uniformity, is the law of social as well as of animal or vegetable life.

In the essay on the "Relation of Economic Science to Practical Affairs," we have a sober but resolute vindication of the claims of the professed economist to be heard when economic subjects are under discussion. Of late years there has been some disposition on the part of public men to depreciate the authority of economists, and some coyness on the part of economists in expressing their convictions. Mr. Price would not have the economist supply a curt and peremptory answer to every practical problem, but he would have the economist uphold a standard of careful and accurate thought. It is for the student, as he says, to remind the practical man of things too often unseen in the hurry of practical politics. Moreover he holds that the economist should be prepared to give an opinion on economic questions as they arise. Absolute neutrality, he maintains, is neither possible nor desirable for the student of economics. "An obstinate regard for neutrality may easily beget indecision, and from that moment the economist becomes ineffectual for practice" (p. 165). A little more confidence on the part of economists would retrieve much of their influence. "The practical man has a sneaking affection and even respect for dogmatic assertion. At any rate he desires a plain, direct and concise answer to his questions, and it is not easy to distinguish between an avoidance of dogmatism and an appearance of indecision" (p. 167).

Among the remaining essays, that on "International Bimetallism" is exemplary in its calm reflective treatment of a subject over which most disputants lose their heads and their tempers. The essay on Adam Smith is a warm but not exaggerated eulogy on the greatest of British economists.

F. C. MONTAGUE

Rich and Poor. By Mrs. BERNARD BOSANQUET. (London: Macmillan and Co. 1896. Pp. ix, 216.)

OVER one half of this little work is occupied by a description of what is termed the "organic life" of an East-end parish. By this is meant the life of the people, mostly poor, under the various factors of its environment, especially the parochial, State, and municipal institutions, as well as unofficial benevolent enterprise carried on by such institutions as the Charity Organisation Society.

The remainder consists of some judicious and sagacious counsels, addressed chiefly to that not inconsiderable number of leisured persons who are about to engage, or are already engaged, in what is now known as "Social Work."

The descriptive analysis is, I need hardly say, the result of close first-hand observation, carried on, not by flying visits from Western regions, but by a prolonged residence in the parish in question. An interesting historical sketch of the Church charities, surviving or "lost," is also given. The whole account is couched in the graphic yet sober style, rich in quiet humour, that one looks for in what Mrs. Bosanquet has to say.

To economic readers in general, whether they have ever or never sallied forth from a Moral Science Tripos Eastward bound, the book has something to convey of instruction and suggestion. It has not a few object lessons in that descriptive political economy, for lack of which the older science grew up so anæmic. We learn something of the economic effect of any anticipation of pecuniary relief, of the relative cost of living in East and West, of the tragedy of the hyperdifferentiation of mechanical labour, whereby the unintelligent worker is left stranded as fashion changes or machinery assumes its rightful place. Interesting too in view of the one "economic conviction" for the validity of which Mrs. Bosanquet contends in her preface—that character is an economic cause—is her verdict of the effect of the "terrible devotion" to their round of domestic drudgery of the "women of the East." Knowing nothing of "what 'e gets, but only what 'e gives me," the wife scrambles along from day to day, brave through shortsightedness, "spending wastefully what is given grudgingly, bearing poverty, toil, and suffering for husband and children, and yet failing to win either affection or respect in return." This unceasing sacrifice of "patiently unintelligent women" to reproduce more patiently unintelligent women as well as selfishly unintelligent men, is of little use in spurring the latter to raise their standard of living, in the effort to provide fit homes for respected wives and mothers. The picture of the ageing spinster, toiling at some decaying handicraft, with an ever-rising rent, is not more cheerful, if less harrowing. "Nothing short of an altogether higher standard of civilisation" can mend that social degradation which is the working woman's worst enemy.

Finally, while the author avoids "all approach to economic controversy," deep questions lie between the lines. In the mass of unorganised charity with which the too heedlessly endowing hand of the dead and the living weighs down really progressive social effort, some relatively intelligent societies try to introduce connectedness and discriminative incidence, and, whilst often getting well abused, order here and there the surface of chaos. But the impression made by this book, from its opening account of superannuated doles down to that of the cumbrous machinery of digging down to channels of benevolence by subscribers' letters and votes, is one of the hopelessness of endeavouring

adequately to cope with it all. Independent initiative becomes anything but a divine impulse when, assuming that the poor *ye ought* to have always with you, it "pours money into a slough of poverty much as nuts are flung to scrambling boys." The author might have generalised her remark about hospitals, which she calls "a monument of our indifference to the elementary principle that prevention is better than cure." In face of the evils wrought by charity it is of little use, in an injudicious moment, to advise ladies not to rush round town to get a blouse 6½d. cheaper than elsewhere. It was not the firms selling cheapest that invariably came out most scathed from the Sweating Commission. We want, as she rightly says, to throw in our efforts towards strengthening the healthy life of the community. But to ensure that health, more good will be done by educating the rich on the nature and effects of their great fetish, charity, than in trying to relieve the wage-earner by swelling the profits of this or that competing tradesman.

C. A. F. RHYS DAVIDS

Life in West London : A Study and a Contrast. By ARTHUR SHERWELL. (London : Methuen and Co. 1897. Pp. 188.)

MR. SHERWELL has chosen for his study a region in which all the peculiar characteristics of London are to be found focused and concentrated. In "that portion of West London which is comprised within the area of Soho, and the immediately surrounding district," are gathered representatives of the class which "lives on its own means," of the class which lives on other people's means, and of the class which apparently lives on no means at all. Nor is the genuine industrial class wanting, for the district is one of the strongholds of the clothing industries ; while the casual labourer and odd-jobber are strong in their weakness.

It is obvious that to study the conditions of life in such a neighbourhood is a task requiring great care and patience, and the author has been well equipped with these. It is possible that previous experience in some less complicated and difficult district might have led him in some cases to interpret his observations rather differently ; but his work is singularly free from foregone conclusions, and it is mainly by inferences which may themselves be mistaken that we arrive at his views.

The question of interpretation is always a serious one when we are dealing with figures ; when figures are marshalled in such formidable arrays as by Mr. Sherwell they provoke the reader by their very dryness into asking questions. For instance, is the percentage of persons living in one-room tenements really such an invaluable test of overcrowding as he holds ? Soho, he tells us, probably "has a far higher percentage of persons living in one-room tenements than any other district in London." But Soho we are told elsewhere consists largely

of the cast-off dwellings of the rich, and the single rooms in these houses may be twice or three times the size of rooms in other districts of London which consist chiefly of diminutive houses and "models."

Again, we are given a table showing the number of persons overcrowded in the West and West Central districts, and find it stated at over 248,000. But on examining the constituents of this total we find that 135,000, *i.e.* more than half, consist of "two, and under three, persons to a room"; and we are tempted to ask just how far two persons living in one room can be assumed to be overcrowded in any but a technical sense, especially when we remember that one at least may be out all day at work. Work at home, of course, complicates the question; and Mr. Sherwell pronounces very strongly against out-work. "The real remedy for the worst evils connected with the trade (tailoring) lies, it can hardly be questioned, in the total abolition of out-work, and the compulsory establishment of employers' workshops."

The problem of the exact relation between overcrowding and high rents needs an economist to solve it. Is the overcrowding caused by high rents, as Mr. Sherwell seems to think? or is it rather that the overcrowding into this unfavoured spot raises the rents? and must not the cure begin with migration? There seem to be peculiar difficulties in the way of this remedy; witness the instance given on p. 111, of a man who lost his chance of work because he moved to the north side of Oxford Street.

But something might be done to persuade, or possibly to force, many who could live elsewhere, to move out and leave the ground more free. What are the sanitary authorities about in Soho? All moral and sanitary laws seem to be violated with perfect impunity. Or why, if the sanitary authorities are drowsy, has not a "Sanitary Aid Committee" been formed to worry them into performing their duties? There are, we are told, 1,713 "Christian workers," in the district; one official "Christian worker" to every 432 persons, or between thirty and forty houses to every Christian worker. If they would but unite together, parcel out the houses among them, and each be responsible for seeing that existing sanitary regulations were enforced in his own houses; why, then, twelve months hence Soho would present a very different appearance.

It is a terrible picture with which Mr. Sherwell presents us; a picture of vice and poverty and uncleanness unspeakable. But we doubt whether it is made worse by the contrast between wealth and poverty on which he lays so much stress. Those who work in the far East are apt to think—perhaps mistakenly—that progress would be more rapid if there were closer proximity between the rich and poor; and perhaps Mr. Sherwell would agree that it is the folly and vices of the wealthy, rather than their wealth, which make them such fatal neighbours. How bad their influence is at its worst may be partly gleaned from the third part of the book, which deals with moral conditions.

Nothing could well be wiser or more true than Mr. Sherwell's concluding remarks; and we hope they may be read by many, especially by the well-to-do inhabitants of the district of which he writes.

Finally, to conclude with a very small grumble, we much miss the convenience of reference maps showing exactly what areas are referred to. And it would have added much to the weight of some of the descriptions and instances if Mr. Sherwell had named his authority instead of appealing vaguely to "an entirely reliable authority," or simply stating that "information was given to me." In studies of this kind everything depends upon the source of the information, and students like to form their own opinion as to how far it is reliable.

HELEN BOSANQUET

The Problem of the Unemployed: an Enquiry and an Economic Policy. By JOHN A. HOBSON. (London: Methuen and Co., 1896.)

ACCORDING to the first of J. S. Mill's "Fundamental Propositions respecting Capital," the existence of the unemployed ought to be due to want of capital. According to Mr. Hobson it is due to excess of capital. He believes that "excessive forms of capital stop production." The newly saved capital, he thinks, takes the form of cotton mills and such-like things for producing additional consumable goods for which there is no corresponding additional demand. The consequences are an "excess of producing power," then depression, and lastly "unemployment." The remedy is to alter the distribution of the income of the community in such a way that those who have so much that they are almost obliged to save a large proportion will have less, and those who have so little that they are not likely to save much will have more than at present.

If Mr. Hobson's diagnosis of the disease were correct, it would be difficult to quarrel with his remedy. It is at least highly probable, if not absolutely certain, that one man with £4,999 a year and a hundred men with £50 a year each will together save more than 101 men with £99 a year each. Consequently it may very well be supposed that with a more equal distribution of income than that to which we are accustomed there would be both less saving and more demand for consumable goods. But is it true that this additional saving and this lesser demand for consumable goods which may be supposed to result from our present inequality of distribution, cause the evils Mr. Hobson describes? He seems to regard it as almost self-evident, simply because there are (according to him) factories ready to make more consumable goods than the world requires at a profitable price. Here he overlooks the fact that, after all, by far the greatest "excess of producing power" is to be seen in one or two trades which supply not consumable goods, but those very instruments of production for which the demand is furnished chiefly by saving. The iron trade has had far greater excess

of producing power than the cotton trade. The idea that there is something radically wrong with the organisation of industry simply because a considerable quantity of new savings is invested in things which bring in no return, is a complete delusion. When the rate of interest which indicates the marginal utility of saving is at 10 per cent., none but a fool will invest his savings in a way which brings in nil or 1 per cent. But when the rate has fallen to $2\frac{1}{2}$ per cent., it requires much greater acuteness to avoid unremunerative investments, and such investments are naturally less uncommon. Mr. Hobson believes that unemployed capital somehow creates unemployed labourers, but how this can be he does not succeed in explaining. The section which he heads "How Excessive Forms of Capital Stop Production" contains nothing but vague generalities. It concludes with the following surprising remark: "To the average reasonable man it is a self-evident fact that a community cannot advantageously save more than a certain proportion of its annual income, unless for the express purpose of consuming a larger proportion at some not distant date." A man would certainly require to be very unreasonable to suppose that a community can advantageously save more than a *certain proportion* of its annual income, even for the purpose of consuming a larger proportion at some not distant date.

Like all writers desirous of turning to account the unemployed agitation, Mr. Hobson endeavours to convince his readers that "unemployment" is a growing evil. If this were so it might give some countenance, at any rate on the *post hoc* principle, to his theory that unemployment is caused by a plethora of capital. He relies exclusively on "some considerations derived from knowledge of the changes in the character of different industries and the proportion of those employed in these several industries," coolly denying the existence of "direct evidence." There is, of course, plenty of direct evidence, and it is all against the theory. "Unemployment" was at its maximum before the expulsion of Adam and Eve from Paradise, and it has been diminishing ever since. Work is far more regular and continuous now than it was a thousand or a hundred years ago, and the fact is in great measure the result of the introduction of the larger instruments of production, in the working of which strict discipline is necessary. The "unemployment" has doubtless changed its character to some extent. Formerly widely diffused, it is now concentrated on a small class. We live in an age of specialists, and to be unemployed has become a separate profession.

It is doubtless possible for a community to be too parsimonious. It can very well be argued that the British race both now and hereafter would be happier if income were more equally distributed, even if this resulted, as it probably would, in a smaller amount being annually saved. The last pound invested might very possibly have been better expended in providing comforts for some one. Treasurers of hospitals and other philanthropic institutions always

think so. But this is no reason for asserting that "unemployment" would be diminished by a diminution of saving, and Mr. Hobson has not found a reason.

EDWIN CANNAN

Cours d'Économie Sociale par le R. P. CH. ANTOINE, S.J., Professeur de Théologie Morale et d'Économie Sociale. (Paris : Guillaumin and Co. 1896.)

A STEADY and growing reaction against the formerly predominant schools of realistic naturalism in literature and of materialistic views in the domain of philosophy has within the last few years sprung up in France. Zola is no longer hailed with enthusiasm by the rising generation, and the conviction is spreading that several vital questions are not within the sphere of the methods used by physical science; this conviction was, for instance, openly expressed some time ago in an article published in the *Revue des Deux Mondes* under the significant title of the *Bankruptcy of Science*, by the editor of the *Revue*, who nevertheless candidly confessed that he himself is an unbeliever. A similar tendency is to be noticed in the investigations of economic and social problems, and some of the strictest adherents to the tenets of *Laissez Faire* ascribe the difficulties of the present times to the fact that moral progress has not kept pace with material progress. Encouraged by the example descended from the Papal see the Roman Catholic clergy has taken its part in this movement. Amongst other signs of its reawakened activity, it has begun to manifest a vivid interest in these problems, favouring economic studies in its schools and colleges and assuming towards the claims of the working classes an attitude quite different from its former apathy.

Of late years, several books and numerous articles in reviews have been written in France on such subjects by clerical pens, but the present work is perhaps the first published complete course of lectures delivered by a French priest from the professorial chair, and confessing its purpose of giving future theologians the necessary preliminary knowledge of economic principles; Father Antoine even avows the hope that it may teach students of law that their studies require the indispensable support of natural law and moral theology. Such being his scope, it is natural that before approaching purely economic topics, such as wealth, labour, capital, &c., the Reverend Father devotes 244 pages, more than one-third of the volume, to the exposition of a theory of *Social Order*, based on Thomas Aquinas and the encyclical letters of Pope Leo XIII.; from this standpoint, the laws, which he endeavours to discover, do not consist in the expression of what actually *is* but of what *ought to be*. It is quite true that years and years ago the intimate connexion between moral and economic problems had been persistently pointed out by Le Play; he even declared the Decalogue to be the necessary corner-stone of a sound social organisation, but

this does not satisfy Father Antoine. Of course, also finding fault with the most distinguished followers of Le Play, such as MM. Claudio Jannet, Périn, d'Haussonville, Delaire and the late Bishop Freppel, who only admit the interference of the State in order to repress "abuses manifestly contrary to divine and moral law," he only grants his unrestricted approval to the group of Roman Catholic reformers, who "acknowledging that the social and economic order of things founded by the French Revolution is thoroughly vicious, unite their exertions in order to reform it in conformity with the principles of natural law and of Christianity."

The State's function is not simply to repress encroachments on the rights founded on commutative-justice; it is also the *custos justitiae* and must, according to a German definition adopted by the Rev. Father, be not only a *Rechtsstaat*, but also a *Wohlfahrtsstaat*, not only a maintainer of rights, but also a promoter of material and moral prosperity under the spiritual guidance of the Church; although the latter is seldom claimed, it is evidently implied. In practice the State is consequently invited to fix the minimum price at which necessities should be sold and to prescribe the maximum duration of a day's work, as well as the minimum rate of wages on the basis of the "minimum equitable rate of wages (*juste salaire*) equal to the daily sustenance of the working man under normal conditions." It ought not to be forgotten that, in France, the clergy is alone able to compete seriously with the State on the ground of education, and that this will thus be the drift of the economic teaching which will be given in a great number of its schools and colleges, though not in all, as many members of the clergy remain faithful to the more conciliatory views of the school of Le Play.

Father Antoine is, as a rule, well read in the most recent economic literature, and frequently quotes German and Austrian economists, who on account of the difference of language, are rarely within reach of French economists. He also mentions the most recent English, American and Italian contributions to our studies. Some mistakes and omissions might, however, be detected; thus he does not seem aware that Mr. Herbert Spencer has in the Appendix B of *Justice* reconsidered his former adherence to the doctrine of the nationalisation of land. He gives General Walker's refutation of the wage-fund theory, but passes in silence his theory of the residuary nature of wages. He appears wholly to ignore what has been written by Professor Patten on consumption, and summarily dismisses this branch of economic inquiry in five or six pages, even including in this remarkably narrow space savings and luxury. The theory of population is a subject which is in itself distasteful to a Roman Catholic priest; moreover, Father Antoine writes specially for France, where there is certainly no need to expatiate on the evils of an excess of population, but this does not prove that men like the late Professor Rumelin and Professor Wagner are wrong when they declare that over-population may be,

and often is, in certain countries, a cause of depression for the working classes.

Whenever he deals with purely economic topics, Father Antoine avoids endorsing exclusive views ; so, on value, he insists that we ought to keep equally clear of two dangers, namely, the wholly objective and the purely subjective notions of its origin. Making due allowance for his absolute submission to Aquinas (who, however, is far, even in our days, from being a despicable authority), it must be acknowledged that Father Antoine is a clear and sensible writer, and although, like many of his order, a keen, is constantly an upright and a straightforward controversialist.

E. CASTELOT

Cours d'Économie politique. Tome second. VILFREDO PARETO.
(Lausanne. 1897.)

THE second volume of Professor Pareto's treatise more than fulfils the expectations aroused by the first volume. The clearness of argument which was there so conspicuous is an equally marked feature of the second part, particularly to readers who are able to follow the mathematical demonstrations to which the author has recourse from time to time.

Apart from the mathematics, but certainly closely connected with the clearness of view of the problems treated which the use of symbols assists in developing, the volume before us commands both respect and admiration, while it impresses us as one of the most suggestive works which has appeared in recent years. Its advantages lie, to some extent, in more satisfactory treatment of details which have often been made only imperfectly to fit into a coherent system.

Having regard to what we wrote of the first volume, two points strike us in this second volume. The one is the admirable effect on the separation of distinct, but often not distinguished, ideas which the employment of the new term "ophelimity" has made possible. We could wish the difficulties which appear to us to stand in the way of its adoption were less. The other point is that, though the text is abundantly illustrated by statistical and historical references, in regard to both (especially the former), these illustrations appear to be more emphatically necessary for the development of the views presented by the author than was the case with some of those included in the first volume.

In his treatment of social evolution, our author naturally criticises the various views expressed by biologists on important points in the evolutionary doctrine. He deduces this interesting conclusion among others on the bearing of rival theories : if acquired characteristics are inherited, the advance of the race will involve a less total of individual suffering than in the contrary case. Though not refusing to consider what of truth underlies socialist schemes, the decision arrived at is

emphatic. The possibility that the nation or the race might benefit by subjecting itself absolutely to the guidance of those who are intellectually and morally superior to the average, is freely admitted. The actual realisation of such a result, whether the form adopted be that of protection or the more complete form of state socialism, is regarded with a doubt which may be called unbelief. Over and over again it is insisted that restrictions on the free play of competitive motives serve for little else than to hinder the adaptation of the society to those conditions which would, at the time, produce for it the maximum of utility. The equations of equilibrium, too, are employed to show that the organisation of production which free competition would tend to produce is identical with that which is required by the condition of a production such that, with a suitable distribution of the products, the maximum of "ophelimity" for each individual would result. The play of competition solves by trial and error the equations which the controllers of a socialist community need to solve *a priori*. Either method would involve waste of energy, but it remains to be proved that the latter would involve the less waste. This is enforced by the admirable illustration of a steam-engine, which, far as it is from utilising all the energy of the burning fuel, is yet a source of great advantage in the absence of some better and more economical mode of utilising that energy.

In the part of the work which deals with trade, an admirable examination of the true function of speculation is made. Elsewhere, in considering joint-stock companies, restrictions of their freedom are deprecated, and it is contended that the plan of requiring unlimited liability on the part of the managing director does harmfully limit freedom, while through the free play of competitive forces alone can we look for the development of a superior organisation for productive purposes than this has proved itself.

We are not quite able to follow the author in his conclusion that, of the two, the protection of agriculture is productive of less evil than the protection of manufacture. Though quite agreeing that the Méline tariff has probably checked the French export trade, we are inclined not to accept the comparison of actual figures given as conclusive, other influences, affecting many countries besides France, having contributed to the falling off which he cites. Whether it is possible to accept the statement that, sensibly, the chief products of industry belong to the class to which the Law of Constant Return applies, we should hesitate to say; and, to mention last the most considerable of the points where his theoretical treatment falls short of what is required, in our view, the separation of the entrepreneur from his endowment of personal qualities, relegating the consideration of the latter to the general treatment of capital, appears both unnecessary and undesirable. The object attained is to conceive of the entrepreneur as making neither profit nor loss as entrepreneur (as a result of free competition), though enjoying a revenue as the owner of personal capital of

a more or less valuable kind. If the error, which the author believes to be frequent in the English school, of confusing the capitalist and the entrepreneur, does not go beyond the association of a man with his own brains it will not be likely to produce much harm. This is, we believe, the extent of the confusion which remains in modern English views.

In placing the Ricardian exposition of rent in its proper connection with more modern and developed views, and in expounding the whole theory, not as displacing and upsetting, but as co-ordinating and confirming the teachings of the classical school, the spirit displayed by M. Pareto commands an admiration which can with difficulty be yielded to many other writings.

The special feature of the treatment of distribution was noticed in the last number of the JOURNAL. It is a great advantage to be able to deal with a comparatively simple expression for the distribution of wealth in the community, and a simple criterion of changes in the general distribution. Most of the useful results drawn from the "curve of incomes" would probably hold if, by the application, for example, of the methods of Professor Karl Pearson, a curve could be found which gave a much more accurate *fit* to the actual statistical data.

The conclusion, from the form of the "curve of incomes," that the distribution of income is not due to chance, appears to need modification. It depends on our reading of the meaning of the word *chance*. The remarks of Professor Pearson on this point are worthy of consideration in connection with those of our author. In his paper on *Skew Variation in Homogeneous Material* read before the Royal Society two years ago,¹ Professor Pearson points out that the normal curve of errors depends on certain assumptions, one of which may be not fulfilled if several dice be thrown at once, or a number of teetotums of the same kind spun together; while another does not hold for the case of several cards drawn at once from a pack. If we deny the name of *chance* to the cases of dice, teetotums and cards here named, the curves obtained by Professor Pearson, of which that of wealth distribution has itself been studied by him, may be said *not* to be the result of chance. For ourselves, we confess to being unable to assign a satisfactory meaning to the word chance so as to exclude such cases, and judging by the statistical results of these experiments, the form of the "curve of incomes" may be produced by causes which, though not yielding the normal curve of errors, can hardly be denied the name of chance. We cannot, either, share Professor Pareto's repugnance to the conception that the distribution of incomes is a chance distribution, though the description would be misleading if the vulgar interpretation of that phrase were accepted. The curve of incomes, which is not, in shape, unlike the curves of age-distribution of the population of European

¹ On this subject see also Professor F. Y. Edgeworth "On Some Recent Contributions to the Theory of Statistics." *Journal of the Royal Statistical Society*, Sept. 1895.

countries, may be the result of chance in the same sense that this curve derives its shape from the outcome of the chances which determine whether individuals shall continue to live or shall die.

A. W. FLUX

Die Sozialdemokratischen Gewerkschaften in Deutschland seit dem Erlasse des Sozialisten-Gesetzes. VON DR. PHIL. JOSEF SCHMÖLE. Erster, vorbereitender Teil. (Jena: Fischer. 1896. Pp. xviii, 211.)

GERMAN Trade Unions differ, in their origin, from those of England, in much the same way as the origin of the German constitution differs from that of the English. The English constitution has arisen, bit by bit, out of the needs of the moment. The German constitution was decreed ready-made by the Court at Versailles in 1871. Similarly, English Trade Unions have been obscure in their beginnings and variable in their aims. German Trade Unions, on the contrary, have been almost unchanging in their aims, and sprang into existence by the fiat of the labour leaders in 1868. This difference of origin was rendered possible by the fundamental difference which, as Dr. Schmöle points out in his Introduction, gives the key to the peculiarities of the German labour movement. This difference is that Trade Unions in Germany have been throughout subsidiary to political parties, and regarded mainly as means of political agitation. To supplant Social Democracy, Dr. Max Hirsch, a prominent Liberal, decided, in 1868, to found unions in Germany "on the English model," i.e., on the assumption that the interests of labour and capital are really the same. To supplant Dr. Hirsch, Schweitzer, the successor of Lassalle, obtained, in August of the same year—while Dr. Hirsch was still making preliminary studies in England—the support of the Universal German Working Men's Association for the foundation of socialistic Trade Unions. Dr. Hirsch, on his return, thus found himself anticipated, and his friendly societies—for such they virtually are—have ever since dragged on an obscure and unimportant existence.

It is, accordingly, the Social Democratic Unions alone with which the present volume deals. It is a pity that Dr. Schmöle, in spite of the emphasis which he lays on the pre-eminence of the political movement, has not gone more deeply into the manifold reactions of this movement on German Trade Unionism. For example, much of his space is devoted to the efforts of the police to apply the Coalition Laws to the destruction of Trade Unions, and the counter-efforts of Trade Unionists to evade the laws. The singular fact that none of their energies were devoted to the repeal of these laws, which he leaves unexplained, can only be explained by their adherence to Social Democracy. For Social Democracy is too lofty in its aims to concentrate on any single practicable reform, and has never instituted any special agitation for freedom of combination.

At first the Trade Unions were frankly political. But this frankness cost them their life, for it led to the dissolution of almost all of them at the passing of the Socialist Law (1878). New societies were soon founded, however, which endeavoured to appear non-political; but the slightest appearance of Socialism, even a petition to the Reichstag for regulation of the hours of labour, would usually afford the police a pretext for their dissolution. The laws under which dissolutions took place were two: First, the Coalition Law by which, in most German states, no two political associations may combine in any way for any common purpose; and, second, the Insurance Law, by which insurance societies can only exist with the permission and under the inspection of the police. The best part of Dr. Schmöle's book is the section devoted to the legal chicaneries by which the police endeavoured to make these two laws applicable to Trade Unions, and the ingenuity with which Trade Unionists sought to evade them. The Courts would appear to have frequently differed from the police in their interpretation of the law, but Dr. Schmöle shows clearly the vacillating and inconsistent character of the various judgments delivered in these matters. This led the Socialists, not unnaturally, to infer that the law depended entirely on the bias of particular judges, a view for which, though our author rejects it, there seem to be excellent grounds.

On the whole, German Trade Unionism impresses one as a very half-hearted movement, and the present work does nothing to alter this impression. The most energetic members, being Social Democrats, have in general but little faith in the efficacy of movements within the capitalistic state—even the organisers often urge men not to expect of the unions what only a Socialist State can give. Almost all the energy and self-sacrifice which in England would have gone to the unions, goes in Germany to Social Democracy. Dr. Schmöle concludes with a hope that this state of things may change as the status of German labour improves, but for such a hope there seem, at present, only the slenderest grounds.

The book is learned and sympathetic, but not sufficiently critical or scientific in its attitude; although its task is a far easier one than the history of English Trade Unionism, it accomplishes hardly any of the objects which Mr. and Mrs. Sidney Webb's book so successfully attains. It abounds in generalities, but contains few useful generalisations. The style is prolix and lacking in concrete detail. In this respect, at any rate, we may hope for an improvement in the treatment of separate trades, which Dr. Schmöle promises in a second part of the present work.

B. RUSSELL

NOTES AND MEMORANDA

THE UNEMPLOYED PROBLEM IN BASLE

FOLLOWING the example of the municipality of St. Gall—whose experiment, however, is after a trial of two years to be discontinued next June—the Government of Canton Basle Urban is at the present time engaged upon the elaboration of a system of compulsory insurance against worklessness. It was led to undertake this task by a desire to relieve the philanthropic resources of the town, which had been severely drained by several winters of unusual distress, and also to enable the working classes to provide for their own needs in the common eventuality of unemployment. As a preliminary measure, the Home Ministry—following the judicious plan of German Governments of calling in the advice of experts upon technical, and especially economic, questions—requested Professor Georg Adler, of Basle University, to prepare a report upon the general question. This report, which is just such an able statement as might be expected from one who has made several notable contributions to economic literature, was duly laid before a Commission nominated by the Home Ministry and consisting of two Government officials (besides the President of the Ministry, Government Councillor Philippi), two professors, three employers, and three workpeople. The result was a Bill laid by the Minister of the Interior before the Council of State last year, and since handed forward to, and very favourably received by, the popular Chamber.

To the essential features of this Bill, whose speedy enactment may, as Professor Adler assures me, be anticipated with tolerable certainty, inasmuch as the Democratic (majority) party, the Conservatives, and the Social-Democrats are all for it, I desire to draw attention. Rather than run the risk of failure by overburdening this tentative law by a too pretentious task, it has wisely been decided at present to restrict insurance to two classes of workpeople. Yet these two classes are at once numerous and pre-eminently suited to become the object of an experiment of this kind, inasmuch as they are peculiarly liable to the conjuncture which the law is intended to meet. They are (1) factory operatives (as that term is interpreted by the federal Factory Act of March 23, 1877), and (2) persons engaged in the building trades and in

earth works of all kinds. In the first category are comprised employees in textile and knitting factories, chemical, machine, and tool works, breweries, tobacco and chicory works, and the printing trades and type foundries. In the second are comprised masons, stone-cutters, slaters, carpenters, joiners, painters, &c. With exceptions to be immediately noticed, the Bill requires all "dependent wage-earning persons who have lived for more than one year as citizens or settlers within the Canton Basle Urban" belonging to these two categories to be compulsorily insured against loss of work on the completion of their fourteenth year, unless, by the terms of their labour contract, their occupation should be restricted to periods less than a week. The exceptions are (1) employees in receipt of wages of 2,000 fr. (£80) or more per annum, and (2) apprentices and improvers under eighteen years of age in the manufacturing industries who are paid less than 200 fr. (£8) per year. The former are excluded on the assumption that they form the *élite* of the labour world, and are, as a rule, on account of their ability, in good demand, and consequently but little exposed to any sudden deprivation of livelihood. The latter are excluded because they are believed to be for the most part dependent upon parents and relatives, and in many cases do not receive regular working wages.

Though only two classes of employees have been chosen to experiment with, it has for evident reasons been found unfair to treat them equally. In the winter season especially, building and earth works may for weeks together be at a complete standstill, where the factories at worst may only have to run short time occasionally. This unequal liability to loss of work has been met by a differential scale of contributions. In passing, it may be remarked that the case of workmen who may cease to belong to any of the trades which come under the law has been anticipated; and it is proposed to allow such to continue membership of the insurance fund, and to retain all the privileges connected therewith, so long as they fulfil the stipulated obligations and do not leave the Canton. Even should such a workman change his domicile he may regain full membership on returning to his Canton and paying contributions to the fund for eight successive weeks.

Two fundamental principles underlying this scheme of insurance invite particular comment. (1) Insurance will be compulsory, and (2) it will be restricted to such loss of employment as is unavoidable or, as the Bill has it, "guiltless" (*unverschuldet*).

That a law of this kind, in order to be of real use, must be obligatory is obvious enough. Were it permissive it would offer no improvement upon the voluntary system of indirect insurance against loss of employment by means of trade and benefit societies, which in Switzerland, at least, has proved very inadequate. Again, were the working classes only partially insured, one of two undesirable consequences might result. On the one hand, those working men who belong to occupations specially liable to trade conjunctures might be

apathetic towards the law, in which case little or no good would be achieved. On the other hand, were these mainly to insure themselves, the premiums that would be necessary to cover risk would be impracticably high, and the system would break down from its own inherent unworkableness. There is, however, another grave objection to partial insurance. It is not inconceivable that an employer, finding himself under the necessity of discharging a portion of his workpeople, would feel himself bound in duty—as his employees would doubtless regard him bound in justice—to dispense first with those whom he knew to be secured against want by membership of an insurance fund. Such a plan of selection might be defended on broad humanitarian principles, yet it would palpably entail hardship. It is also equally necessary that the only kind of worklessness which should be contemplated by such a law as this should be unavoidable and blameless so far as the insured are concerned. Cases of sickness and accident are excluded, since federal laws intended to deal with them are now on their way. The other disqualifications from receiving relief laid down by the Bill are (a) deprivation of work owing to a wages dispute, whether this take the form of a strike or a lock-out; (b) voluntary cessation of work; (c) dismissal on account of wrongful conduct; (d) refusal, without adequate reasons, by the insured to accept other suitable work when offered, and (e) failure to pay contributions for twenty-six weeks without seeking to come upon the funds.

Very few words as to the machinery of insurance are called for. In the interest of economy—and perhaps also of efficiency—the administration of the law is made as simple as possible. The executive functions will be discharged by a Director (*Verwalter*). This official will have a tolerably free hand, though he will be subject to the control and supervision of a Committee or Board (*Commission für Versicherung gegen Arbeitslosigkeit*), consisting of nine members—three chosen by the employers, five by the workpeople, and the President by the Council of State. The Director of the Insurance Fund will be appointed for six years at a time by the Council of State on the nomination of the Board, and he will receive a salary ranging from 3,500 fr. (£140) to 5,000 fr. (£200). He will, of course, have a staff of subordinates according to requirements.

The Insurance Board will be nominated by the Council of State every three years, and its duties will be so far honorary that a payment of two francs per sitting is alone promised to members, and only when they meet during work hours. This payment is explicitly made, indeed, not for services rendered, but as “indemnification for lost wages,” and out of regard for the *amour-propre* of the labour members the acceptance of the fee is made obligatory. With this Board rests, besides a general duty of control, the duty of decision in cases of dispute and of legal uncertainty, but appeal is allowed to the Council of State. Above the Board stands the Home Ministry, which is charged with the duty of keeping the Board and its

ordinances scrupulously within the law. Both the employers and the workpeople sitting on the Board will be elected by their peers, but it is noteworthy that, democratic though the government and spirit of Switzerland in general are, female workpeople are not allowed to vote.

In each group there are grades of relief, proportionate to earnings, and thus to premiums paid, and also to domestic condition—whether married or single, whether childless or otherwise. In the first place applicants for relief are to be allotted to classes, according as the wages they have received during the twenty-six weeks last preceding the cessation of employment have been (1) 15 fr. and under weekly; (2) 15 to 24 fr., and (3) over 24 fr. Should a man during this period have received wages falling to more than one of these classes, the relief will be fixed on the basis of the class to which his earnings mostly fall. The benefits payable per day, counting Sundays and holidays, are as follows, payment being weekly :—

	Insured of the		
	1st Class	2nd Class	3rd Class
(a) If unmarried	80 cts.	90 cts.	1 fr.
„ widower or widow without children under 14...	80 cts.	90 cts.	1 fr.
„ married woman.....	80 cts.	90 cts.	1 fr.
(b) Widower or widow with one child or more under 14 or married man without children or with a child under 14	1·20 fr.	1·40 fr.	1·50 fr.
Married man whose wife is in full work or herself receives relief.....	80 cts.	90 cts.	1 fr.
(c) Married man with more than one child under 14	1·50 fr.	1·70 fr.	2 fr.
The same if his wife be in full work or herself receives relief	1·20 fr.	1·40 fr.	1·50 fr.

It will thus be seen that the relief offered ranges from a minimum of 5·60 fr., or about 4s. 6d., to a maximum of 14 fr., or 11s. 2d., per week.

With a view to saving the funds as much as possible, and of encouraging workpeople to provide independently against small emergencies, it is stipulated that no relief shall be payable for the first week of worklessness. The general rule is also laid down that relief may not be claimed for more than thirteen weeks or ninety-one days during any one working year (May 1 to April 30). To guard, however, against possible imposition, the reservation is added that a member who has received relief for fifty days or more successively in a working year, can only claim relief in the following year after he has been in work and has contributed premiums for twenty-six weeks, dating from the receipt of the last relief, though where a period of relief runs from one year into another permission may be given to count the whole to the earlier year. The case of workpeople whose wages are reduced owing to temporary slackness

of trade is fairly met. Where wages fall more than one-half, two-thirds of the full relief of worklessness will be paid, but where the reduction is not so great no claim to help will be recognised. An endeavour is also made to prevent unnecessary calls upon the funds by a regulation providing that where unemployed persons are able to earn small sums by casual labour, relief may be reduced proportionately.

Following the example of most of the English Trade Unions, the law further proposes to pay travelling money (to cover railway fares up to 200 kilometres and food by the way) to insured workpeople who leave home in search of employment.

We come finally to the means by which it is intended to keep the relief fund replenished. Four sources of revenue are contemplated by the Bill, of which one, however,—gifts and legacies—is purely supposititious and may be passed over at once. The other three are—(a) contributions by the workpeople insuring; (b) contributions by their employers; and (c) a State subsidy.

(a) Workpeople will contribute to the insurance fund according to the wages they receive. For the determination of their obligation each of the two groups into which the insured are separated (*i.e.*, factory operatives and members of the building trades) is divided into three “wages classes” (*Lohnklassen*). How the members of these “wages classes” will contribute may best be shown by a table:—

1st group of insured—smaller risk—

(a) Weekly wages not exceeding	15 fr.	contribution	20 cts. weekly.
(b) „ „ of	15 to 24 fr.	„	30 cts. „
(c) „ „ exceeding.....	24 fr.	„	40 cts. „

2nd group of insured—greater risk—

(a) 40 cts. weekly	(b) 50 cts.	(c) 60 cts.
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These contributions will be deducted from their wages by the employers, who are required to pay them to the fund, along with their own contributions, every four weeks. Should a workman not have more than three days' work during any week, he will be relieved of his premium, but should he work longer than three days he must pay for the whole week. In the event of a workman being altogether without employment and receiving help from the funds, he will be exempted from the payment of premiums unless he be in receipt of compensation under the Employers' Liability Act.

(b) The employers' contributions are fixed at 10 centimes weekly for every workman of the first group of occupations in his employment, and 20 centimes for every workman of the second or more risky group, with exemption in respect of all employees temporarily out of work.

(c) As an act of goodwill towards an institution which it is hoped will prove of considerable public utility, the State undertakes to bear the entire cost of administration, so that the whole of the contributions paid by employers and employed will be applied in relieving distress, and also to pay a further subsidy of 25,000 fr. (£1,000) per

annum, which is to go towards the formation and keeping up of a permanent reserve fund wherewith to meet unforeseen emergencies. The State expressly declines any direct responsibility for the financial security of the insurance fund or the discharge of its obligations, though in the eventuality of passing difficulty it undertakes to advance a loan on interest. Yearly surpluses are to be placed to the reserve fund, but when this has reached 200,000 fr. (£8,000) the premiums payable may be reduced, or the benefits offered may be increased, as the Council of State may determine. Should deficits regularly occur, the premiums will be proportionately raised.

Such, in outline, is the scope of this important measure. Professor Adler is confident that the Legislature of the Canton will adopt it with tolerable unanimity, so that its chance of receiving a trial rests really with the inevitable *referendum*.

WILLIAM HARBUTT DAWSON

WORKING WOMEN IN VIENNA

EARLY last year the Social Branch of the Vienna Ethical Society, under the direction of Dr. Ofner, invited members and others interested in the question of women's work to enquire into the conditions under which the women of Vienna work and live.

As a result a Commission of thirty-five members, consisting of thirty men and five women of various political and religious opinions and social positions, under the chairmanship of Prof. Von Philippovich and with Dr. Friedrich Frey as secretary, was appointed to make a "*Frauen-Enquête*."

The Commission at first sent out circulars to a number of working women asking them to fill in particulars with regard to their work, treatment, wages, &c. But, for obvious reasons, this met with very little response. They then determined to examine into the matter personally. The method of procedure was as follows: Working men and women were invited to attend the meetings held by the Commission, the former to explain the technical parts of the trades, the latter to give evidence regarding themselves. Strict secrecy as to names was promised, and the enquiry has been successful.

Questions were asked regarding: Special trades; Workshops; Payment; Number of working hours; Treatment; Means of finding work; General Sanitary Conditions; Inspectors; Dwellings; Food; Health; Recreation.

In Vienna, according to the last census, there are 212,280 working women, not including domestic servants. These are employed in various trades, dress-making, mantle-making, cravat-making, hat-making, glove and flower-making, plain sewing, the manufacture of underlinen, passementerie, paper and textile industries, various kinds of metal

work, in building, rag sorting, feather dressing, chemical cleaning, washing, ironing, &c. The women work either in large or small factories, as in-door or out-door hands, and either in the homes of the smaller employers of labour or in their own homes. In the latter case some get their work direct from the manufacturer, others through the "middleman." In the course of enquiry it was elicited that in some cases the "middleman" is worse off than the employed.

The following rates of earnings are selected as examples :

Passementerie Workers.—These must serve an apprenticeship of three years. They commence with a wage of 1 fl. 50 kr.¹ per week, rising till, towards the end of the apprenticeship, it reaches 3 fl. The first six months after the completion of their time they receive 4 fl., afterwards 4 fl. 50 kr. to 6 fl., according to ability. The season lasts nine months.

Metal Workers.—Weekly wage : 5 fl. 50 kr. to 7 fl. The wages here are higher because the work is much harder. But on the other hand the women must buy the straps, cloths, &c., necessary for their work, so that the net wages are far less. One woman complained that in the factory where she was employed the workers were bound to buy these things from the employer, and that he charged such a high rate of profit that often their wages were reduced by one half.

Hat Makers.—Weekly wage : 5 fl. to 6 fl. A few years ago nearly double was paid for the same work.

Beaten-Metal Workers.—The girls generally begin work at fourteen. They serve one year as learners for nothing, at the end of that time their wage is 1 fl. 50 kr. per week. This gradually rises up to 4 fl. ; and it may, if the workers are very quick and dexterous, rise as high as 6 fl. 50 kr.

Dress Makers.—Wage : 40 kr. to 2 fl. per day of 9 to 10 hours. The season lasts six months. The small lower limit of 40 kr. is due to the fact that many girls work for pocket money only. Unfortunately, employers are glad to get such girls because on account of their better position they have a more favourable appearance. Those who in addition to the 9 or 10 hours in-door work take work home, can earn from 4 fl. to 6 fl. weekly.

Machinists for Stitching Ladies' Evening Shoes.—Girls can earn from 7 fl. 50 kr. to 8 fl. 50 kr. weekly, working 10 hours a day. This seems to be the best paid work.

Shirts are paid for at the rate of 1 fl. 40 kr. to 4 fl., *Ladies' Chemises* at 70 kr. to 5 fl., *Ladies' Drawers* from 1 fl., per dozen. *Ladies' Blouses* from 18 kr. to 1 fl. 20 kr. per dozen. The highest weekly wage a woman can earn by such work is 3 fl. 50 kr. Out of this she must provide cotton, oil, needles, and light. These cost about 1 fl. 24 kr, so that, working 11 hours a day, Sundays included, she can only earn 2 fl. 40 kr. per week. *Stay Makers.* Weekly wage : 2 fl. to 4 fl. For very

¹ At the present rate of exchange 12 fl. equals £1, consequently 1 fl. (100 kr.) is worth 1s. 8d. and 5 kr. are equal to one penny of our money.

superior work a woman can earn 9 fl., but this is very rare. The work is pretty continuous throughout the year.

Bedding Makers.—For making mattress covers the lowest price paid is 6 kr. each. Working 11 hours a day two women together can only make from 12 to 16 such covers, so that they can only earn a weekly wage of 2 fl. 50 kr. to 3 fl. each.

Bookbinders.—Weekly wage : 1 fl. 50 kr. to 4 fl.

Bon-bon Makers.—Weekly wage : 3 fl. to 6 fl. Season lasts eight months.

Artificial Flower Makers.—Weekly wage : 2 fl. 50 kr. to 8 fl. Season lasts six months.

Feather Dressers.—Wage : 16 kr. per dozen. A woman can dress about two dozen per day of 11 hours, and can earn a daily wage of 30 kr.

Overtime in the various trades is paid at the rate of from 5 kr. to 10 kr. an hour.

Bricklayers' Labourers.—In summer the wage is from 75 kr. to 90 kr. per day of 11 hours. In winter, when the women cannot work so long, from 35 kr. to 48 kr. per day. Even in summer the earnings are considerably reduced when the weather is unfavourable, and in winter when the snow lies thick on the ground their earnings are almost nothing.

It may be said generally that the earnings of the working women in Austria fluctuate between 2 fl. 50 kr. or 4s. 2d., and 4 fl. 50 kr. or 7s. 6d. per week. A few earn 7 fl. or even 8 fl., but these are isolated cases, and such wages can only be earned when women take work home and work far into the night. In many cases the season only lasts seven or eight months a year. During the rest of the year, unless they can earn money in some other manner, the workers are absolutely without means. The women are then obliged to buy on credit, pay much dearer for everything, and when they begin work again they are already burdened with debt, which they pay off at so much a week. In some businesses the employers require their hands, even in the dead season, when there is absolutely nothing for them to do, to come every day and sit a certain number of hours, either doing nothing or knitting stockings (when they have money to buy the wool). And this the poor girls suffer, lest they should not be taken on again when there is work to be done.

As a rule the girls serve a sort of apprenticeship in the different trades, generally for three years. During this time in some cases they receive board and lodging, sometimes board only. The wage is often, for the first six months, nothing, and then a weekly payment of from 50 kr. to 1 fl. for the first year. Afterwards they are paid by piecework, or at the ordinary rate of from 2 fl. 50 kr. to 4 fl. 50 kr. per week. These wages amount to about the same on the average in the two cases. One woman told how, by dint of great exertions, she had by doing piecework risen to 5.50 per week, when the foreman stopped

the 50 kr., saying that 5 fl. (8s. 4d.) was enough for any woman to earn. She appealed to the manufacturer himself; he agreed with the foreman.

There is a general complaint that women are driving the men out of the field. Their labour is cheaper, partly because it is untrained, there being no Industrial Schools for women as there are for men; and partly because there is little organisation among the women themselves. Even where such organisations exist, the workers are afraid to join them for fear of being refused work on account of their adherence. Again, the women are apathetic, and, as long as they can earn sufficient to keep body and soul together, they are satisfied. And above all the supply of working women is much greater than the demand. There seems to be the same objection to domestic service as in England.

Fines.—In some businesses the women are fined from 10 kr. to 20 kr., if only a minute late; in others, they must stay an hour later in the evenings, or they must take work home which requires two or three hours to complete. No definite answer could be obtained as to what is done with the fines. The women do not enquire for fear of dismissal.

As a rule the large workshops are only cleaned once a year, and in some cases once in two or three years; in some the cold in winter is almost unendurable; in others the heat, owing to the nature of the trade, is so intense that the workers can scarcely breathe. In winter during the dinner time the women exchange this fearful heat for the bitter cold air, being forced either to sit or stand in the passages, or walk about the streets. Comparatively few of them can afford to sit down to a warm dinner at the nearest cheap eating house. In large factories, where the employers are bound to a certain extent by the factory laws which only allow eleven hours to the working day, the workers are better off than in the small workshops which do not come under that law. But, even in large factories, on special application from the employer, the employees are allowed to work overtime, and on Sunday and holidays until twelve o'clock. But it is in the small rooms, where the women work under a "middleman," that they suffer most, and work under the worst possible sanitary conditions. Here they often have to sit in rooms in which several people have slept, and in which, in winter, the windows are never opened; for 12 hours regularly they stoop over their work with hardly a pause for meals, and in the height of the season the girls, even if they are not in-door hands, must work till three or four a.m. in vitiated air. In addition to the want of cleanliness in the workshops, the general sanitary appliances of the factories leave much to be desired. Another complaint is that the rooms are not light enough. Where there are many girls working in one room in which there are one, or two, or at most three, windows, those who are not fortunate enough to sit near those windows must work in a half-light. And when houses are built so high,

as those in Vienna, and there is little open space between the houses, often even near the windows the light is insufficient. In factories where, from the nature of the trade, the women and men must change their clothing before commencing work, only one room is provided for both sexes. In very few factories can the women wash themselves before eating, a state of things specially dangerous after they have been working with chemicals, as in flower-making or metal-working. In one metal factory, only one towel a week was provided for fifty people; at a book-binder's, one for between twenty and thirty men and women.

There are not sufficient inspectors to see that the laws are properly carried out, so that they are easily broken. In the whole of Austria there are only thirty-nine, including assistant inspectors. By the law of June 17th, 1883, "The Ministers of Commerce and of the Interior are empowered jointly to appoint the requisite number of factory inspectors and an inspector-in-chief of factories." These inspectors are to see that the law is carried out both in regard to the protection of life and health of the workpeople, work, time, wages, proper instruction of learners, and in all other respects. They have the right of visiting the workshops at any time, of questioning the workpeople privately, and summoning the employer if any law has been broken or disregarded. For infringement of the law the employers can be fined any sum not exceeding 400 fl., and imprisonment for any period not exceeding three months. The inspectors can also order machinery, which is either not properly protected or imperfectly so, to be stopped and close the workshop. But owing to the paucity of inspectors they have not sufficient time to take more than a cursory glance around; they have no time to examine witnesses, machinery, &c. The result is that even if an employer be fined, he pays the fine and goes back to his works to sin as before. One woman, who had been working three years in the same factory, was asked how often the inspector came. She replied that she had never seen him. This raised a laugh among the Commissioners, for the inspector was sitting opposite to her.

There was a general complaint as to the treatment of the girls by the overseers and workmen. Although there are offices for the engagement of workwomen answering to the registry offices for servants, the women do not seem to have any faith in them and very rarely apply to them. When in search of work they go from factory to factory till they find it, or answer employers' advertisements as in England. If the work requires great physical strength, the strongest girls are taken on; otherwise, for obvious reasons, the best looking are chosen, irrespective of fitness for the work or experience. It very often happens that in order to keep their situations the girls are forced to yield to these men, in whose power their dismissal lies. It rarely happens that women over 32 can find work. It is pleasant to learn that there was hardly a complaint as to the treatment of the girls by the better educated clerks and workmen. The cure is thus obvious; but the

girls themselves must also be better educated. One employer, on being asked if he knew of the way in which the girls were treated by the workmen, answered, "Unfortunately yes, but I cannot control that." On the other hand, another manufacturer said that whenever such a state of affairs as we have spoken of came to his knowledge, he dismissed the men implicated, and that he always did what was in his power to protect his work-girls. In smaller businesses where there are indoor apprentices many complaints were made that the wives of their employers did not protect the young girls in their care as they ought to have done from the importunities of the husband or grown up sons.

Of "home-life" these poor women have little or none. In the morning, husbands and wives go their separate ways to work. The little children are, as a rule, taken to *crèches*, of which there are many in Vienna, and fetched home again at night. The older children go to school, or are put out to board with some poor peasant family in the country, when the parents can find the necessary money (generally about 5 fl. or 6 fl. a month).

There is a great dearth of suitable dwellings for the poor in Vienna. Where there are such dwellings, the rents are so high that it rarely happens that a family has more than one room and a kitchen. Here and there, where there is a large family, all or many of whom are earning, they can afford better homes. But even one room and a kitchen is a comparative luxury. It often happens that a family consisting of five or six people sleep in the room, while the kitchen is sublet to another family. Some lodgings contain only one small room, where the family sleep, cook, eat, wash, &c. Working-girls who live with their parents are better off with regard to their sleeping accommodation. Others generally hire a bed, costing 80 kr. a week, or, if two sleep together, 1 fl. a week. Strangers, of different sexes, often sleep all together in one room, those who are not fortunate enough to possess a bed sleeping on the floor, men, women, and children pell mell. A few girls rent a "cabinet," that is a small room containing one window, which costs from 5 fl. to 8 fl. a month. Sometimes two or even more share the "cabinet." How proudly some girls answered, "I rent a cabinet for myself!"

With regard to food, these people are no better off than with regard to their dwellings. In the morning, before going to work, they take black coffee, or an article called by courtesy coffee, and a small roll or piece of black bread which costs about 5 kr. For lunch, about 10 o'clock, or earlier, a piece of dry bread or now and then, as a great luxury, a little inferior butter with it. The 12 o'clock dinner consists of soup, vegetables, and bread bought from the nearest cheap eating house which, together, costs from 8 kr. to 10 kr. (1½d to 2d). In the afternoon about 3.30 they take black coffee and bread. The coffee is made at home, and the women take it with them. As a rule even in winter they must drink it cold, there being no means for warming it. Some of the women are obliged to take cold coffee and bread for their

dinner. They are too poor to enjoy the luxury of soup and vegetables. Occasionally sausages which cost 3 kr. a pair if made of horse-flesh, 5 kr. if made of beef are eaten for supper. Too often it happens that the women have not the means of buying supper. On Sunday many have either boiled horse-flesh or beef, but as their stomachs are unaccustomed to such food indigestion is often the result, and they are not able to work on Monday. Some of the women occasionally in summer drink a glass of beer, which costs 5 kr. In winter, and in the slack season, they are unable to buy it. Where the women are married and the men also earn, they can live better, and as a rule they prepare a hot supper for their husbands; on the other hand, the unmarried often have to support others.

Even harder than anything I have mentioned is the general lot of those women who work as bricklayers' labourers. They live in *Massenquartiere*, as many as thirty persons of different sexes, old and young, married and single, inhabiting one room. These *Massenquartiere* consist of buildings with a ground floor only. As a rule each building contains one kitchen for common use, and a number of rooms opening out into it, which serve as dwellings for the brickmakers. Each of these rooms is subdivided by imaginary lines into a number of "homes" for families, four or more, according to the size of the room. Some of the people have beds; others sleep on the floor—even in winter. For these lodgings each family pays 20 kr. a week, including coals. I have visited some of these *Massenquartiere*, and was struck with the cleanliness of some of the rooms, and the attempts made by the women to beautify their own particular part of the room. The floors are of brick, and as a rule there is only one fireplace. The dwellers must either fetch the water for cooking from some distance, or use water that is so impregnated with lime as to make their food bitter. Some of these bricklayers' women-labourers must be at their place of work at 4.30 or 5.30 a.m., others must work till 4 a.m., go home to rest, and be again at their work at 7 a.m. The former make the mortar, the latter prepare the lime. For this work the former receive absolutely no pay. For the latter three women together earn 1 fl. 50 kr. a week. To make the mortar they must begin at 4.30 or 5.30 a.m., according to the distance it has to be carried when made; when ready the mortar and other necessary materials weighing from 600 to 800 kilos are placed in a hand-cart often large enough to be drawn by a horse, a woman is yoked to each cart, two men push it from behind to a destination often at two hours distance.

Then at 7 a.m. the day's work proper begins. Those who prepare the lime do it in the evenings, two or three times a week. When the women have to fetch their own materials it takes them till 3 or 4 a.m., when the materials are at hand they have finished about 12 p.m. The day's work proper consists in carrying hods of bricks and mortar to the men, generally on the roofs. The women must carry hods, weighing from 10 to 15 kilos in each hand, up the ladders and stairs. As a

consequence many accidents happen. Very often this heavy work is done by young girls. The principal season for such work is in the heat of summer, when it is so hot that the poor creatures cannot wear boots, and so have to wrap their feet up in rags. One woman said she had to make as many as forty such journeys a day, each time heavily laden. Their food is chiefly black coffee and bread, with potato soup as a variation, meat, even horse-flesh, can only be eaten on rare occasions. In winter they live on credit, so that they never can have the benefit of their full earnings. Comparatively few of the Viennese working women are married. There is so much red tape before they can get married, and so many documents costing more money than can be afforded are required, that they are content to live in a state of "free love." The actual ceremony costs 10 fl. A woman, who said she had two illegitimate children, on being asked why she did not marry their father, with whom she still lived, answered, "I have not the necessary papers. I have saved enough money and bought one of them; as soon as I can buy the others I will, and then we can marry."

The mortality among the poor is very great. Between 1887 and 1890, the death rate in the I *Bezirk*, the centre of the city, where the better class of people live, was 12 per thousand yearly; in X *Favoriten*, where many poor live, 28·45. The death rate among the children was in I. 11 per thousand, in X. 319 per thousand or 32 *per cent*. Even in the centre of the city the rate was much higher among the poor than among the rich. The same can be said of *Favoriten*. One woman said that in the factory where she worked, a large one, not a child born in that year is living from among those whose mothers worked there. The rate of still-born children is also very high in Vienna. As a rule the women work till their confinement, and begin again a week after.

At each one of the 35 sittings of the *Enquête*, the same sad story was repeated. Those present could hardly fail to be struck by the prematurely aged looks of the women and girls; women who looked at least forty-five on being asked their ages replied thirty, thirty-two, rarely even so much as thirty-five. From their patient faces, the quietness with which they answered the questions put (questions which must often have touched them to the quick) from their general hopelessness, it seemed as though they looked for nothing better in life, and that the present state of affairs "must" be. Only now and again this strange semblance of general apathy was broken through, their tones became harder, their courage increased, and they spoke, with here and there a harsh laugh, of the conditions under which they live; of the long working hours often extending far into the night, with a mere couple of hours' rest; of the smallness of their wages, and the terrible insufficiency of their food. At first they found it difficult to believe that real interest and not idle curiosity was the reason of the Enquiry. Even when they spoke of the danger to their lives and health in the different branches of trade it was in the same dry manner. By an average day of from 10 to 12 hours, not counting overtime, the

women hardly earn sufficient to keep body and soul together. The young girls almost without exception were thin, anæmic, and so overtired that even the unwonted excitement of appearing before the Commission could hardly rouse them, though they seemed to feel the questions relating to morality. Tuberculosis, various forms of indigestion, diseases of the eye and skin are rife among them. Deformities are also common, girls being put to hard work—such as turning heavy machinery, carrying heavy loads, &c.—when they are still growing. At the brick-works I have seen young children, who were not even old enough to go to school, helping their parents by carrying heavy bricks for hours daily. When I first came to Vienna I was struck at the unusual number of dwarfs, hunchbacks, and cripples one meets during the day. On the day of my arrival I noticed near the Reichsrath a woman and dog drawing a heavy cart, while the man of the party walked on the pavement, smoking a pipe—a significant sight.

It seemed almost a mockery to ask the women what they did with their *spare time*. The Commissioners soon ceased putting the question. It is generally considered that by keeping the women hard at work, it will keep them out of mischief, and prevent them from “gadding about.” Many of the women and girls have never been in a theatre. A few girls had saved money in order to go to one of the cheap Sunday afternoon performances.

The measures suggested at present by the Commission to remedy the evils described are :

- (1) The appointment of a sufficient number of factory inspectors, and the inclusion of a certain number of women in their number ; and
- (2) The establishment of trade societies for women.

The enquiry has aroused great interest in Vienna, an interest which it is to be hoped will be maintained, and in consequence of it, many employers have already granted small concessions to their work-women. On the other hand, a few women who were suspected of giving evidence have lost their employment. What the actual result of the *Frauen-Enquête* will be lies with the future ; but the members of the Commission will strain every nerve to bring about some permanent benefit, and this at no far distant date, to the women working in Vienna under conditions which a plain statement describes more eloquently than many adjectives.

A. S. LEVETUS

TOKEN MONEY IN TURKEY

THE theory of token money is illustrated by the late Professor Walker as follows. “Suppose,” he asks, “billon or token-money to be issued in excess of the real requirements of trade, what will happen ?” A quotation from Sir William Hunter’s *Annals of Rural Bengal* shows

that the tendency of copper coins to accumulate in the district treasuries still forms a subject of frequent official correspondence, and that a percentage is actually, in some places, allowed to the collectors of the assessed taxes in order to compensate them for the loss which results from converting the copper payments into rupees.

Another cutting is from Professor Sumner's *History of the American Currency*, where it is stated that the issue of the so-called "fractional" currency "was forced up to between \$40,000,000 and \$50,000,000, producing a redundancy and enhancing retail prices." In this second case, however, Professor Walker learns that no discount on the token money was submitted to by the retail dealers. That being so, he very properly declines to believe in the rise of retail prices.

The general answer, therefore, given by the late Professor Walker is that when an issue of "billion" becomes so excessive that those who receive it in trade find it hard to get rid of, and are compelled to submit to a discount, then, but not till then, there results a rise of retail prices which will press heavily on the poor, who cannot get a corresponding rise in their wages. It strikes me as a little strange that the theory should have been left incomplete; that the American economist, after a satisfactory analysis of the case where token-money is coined in excess, completely overlooks the other aspect of the question.

If there can be too much token-money there can also be too little. But the latter alternative is neglected for the natural enough reason, I suppose, that no Government in its senses would possibly be supposed to have an interest in at once cutting off from itself a legitimate source of profit, and at the same time causing great inconvenience to the public in general and to middlemen in particular. The omission illustrates the prevalence of the historical view. If experience had solved half the problem for Ricardo, Ricardo would have hypothesised the other half and predicted the consequences.

The Sultan's Government, however, realising the present decadence of the human intellect, has conducted the necessary experiment. The Finance Minister has discovered that a corner can be made in small change. The Mint officials are apparently in conspiracy with the money changers, and while the former keep the supply of "billion" below the demand for it, the money changers find themselves able to charge a discount, not, as in the Indian example, on the small money, but on the large. Out of this profit a small gratuity goes back to the Government officials.

For the details of this remarkable little "corner" I have to thank a special correspondent of the *Leeds Mercury*, from whose article in the issue of February 3rd I take the following extract:—

The Government has created a corner in small change by coining an insufficient quantity, with the result that one always loses a small sum every time one changes any of the larger coins. This state of affairs has created the very profitable business of money-changing. The Government

works hand in hand with these money-changers by refusing to give change at all offices, bridges, &c., so that the public are compelled to have recourse to the changer, who naturally pays a small gratuity to the officials in charge for the privilege of living near the office in question, and who also buys up from these officials the small change they collect. Owing to this fact the silver piastre which we have mentioned as the real unit on which the larger silver coins are based, is itself also a fictitious coin. For the actual silver one piastre piece is at a slight premium as small change.

Working out the results one may predict a fall in retail and a rise in wholesale prices, by which all employers will lose and all those who receive regularly small fixed payment will gain. If it be true that custom is, throughout the Turkish Empire, the chief factor in wages, the new currency experiment ought to be a boon to the labouring classes. We may yet live to see the method now on trial at Constantinople generally recognised by democratic finance ministers and adopted from time to time to effect the better distribution of wealth!

F. W. HIRST

THE SILVER QUESTION IN THE UNITED STATES OF AMERICA

THE present condition of the currency in America is in every particular the strictly logical outcome of our monetary policy for the last two decades. While all those European countries with which our commerce is most direct and most extensive, have closed their mints against silver, and have come to what, under one guise or another, is or approximates to gold monometallism, America, on the other hand, has shown a great fondness for silver. Through the limited but extensive coinage of dollars under the Bland Bill in the years 1878—1890 (\$378,166,793), and through the purchase of bullion for "treasury notes" under the Sherman Law in the years 1890—1893 (\$155,931,002), she has taken into monetary use as full legal tender above \$500,000,000 in silver. During this same period, 1878—1896, she has coined about \$850,000,000 in gold, the amount of the legal tender state notes, or "greenbacks," has remained unchanged, and the amount of the outstanding national bank-notes has decreased by only about \$100,000,000. The result of all this has been that her circulating medium of exchange has increased with great rapidity, has, in fact, doubled. This increase has, indeed, been not nearly so rapid as the expansion of the commerce of the country; but it has been much more rapid than any European country can show. Consequently, general prices have fallen here more slowly than in Europe; and, under the familiar working of Gresham's Law, gold, our only exportable money, has tended to flow toward Europe. While, under the *régime* of the Bland Bill, the injection of silver into the circulation was only \$30,000,000 a year, and while at the same time America was a favourite field for European investors, there was no permanent out-flow. This country, after sixteen years' experience of incon-

vertible paper, was scantily supplied with specie, and for some years the tide was strong in this direction. But late in the eighties the situation changed. America had secured her distributive share of money; and her renewal of a vigorous agitation for a wider use of silver had made foreign capitalists less confident that she would be both able and willing to maintain the gold standard, and therefore less eager for American securities. And finally, in 1890, the enactment of the Sherman Law raised the annual absorption of silver into our circulation to \$48,000,000. Accordingly, in the eight fiscal years, 1889—1896, our country lost by net exportation no less than \$325,000,000 of gold; and, while the banks in all parts of the land still retain considerable reserves of that metal, and use it in payments among themselves, it has disappeared from ordinary circulation except in the Far West.

Under our peculiar monetary system the simplest method of securing gold for exportation is by the presentation of legal tender "greenbacks" at the United States treasuries. Since 1878 these Government notes redeemable in gold have amounted to \$346,681,016; and the law positively requires that, when they come into the treasury, "they shall not be retired, cancelled or destroyed, but they shall be re-issued and paid out again and kept in circulation." For a long while by custom of the Secretary of the Treasury, and since 1882 by informal sanction of law, there was kept as a special reserve for the redemption of these notes \$100,000,000 in gold. But for many years this special amount was of no significance, since, with revenues largely paid in gold and with our peculiar financial policy of chronic surpluses, there was always much more than that sum available. Now, however, we have gone to the other extreme of large and apparently chronic deficits, so that in the three fiscal years which have just elapsed, the receipts of the Government, apart from loans, have fallen short of the expenditure by \$137,812,000. And, at the same time, importers have all but ceased to pay gold at the custom-houses.

Under such a combination of circumstances the Government has been in desperate straits to maintain the convertibility of its notes. In April 1893 the gold reserve fell below the \$100,000,000 level; and it has since been impossible to keep it up to the former mark. There is, of course, no logical reason for keeping intact so great a fund; but the feeling that \$100,000,000 marks the lower limit for perfect safety is so strong among the people that the administration has made repeated efforts to restore and maintain the reserve. It has received voluntary deposits of gold from bankers who have confidence in the strength and integrity of the Government; it has entered into a peculiar alliance with the exchange brokers whereby they were to use their influence for the protection of the fund; and four times, since March 1, 1893, under authority of the old law of 1875 for the resumption of specie payments, it has sold, for gold, bonds to the aggregate amount of \$262,315,400, and netting above \$293,000,000.

¶ In these ways the reserve has repeatedly been raised above

\$100,000,000; but, as every intelligent observer of affairs must have foreseen, there has never been any permanent benefit, and the futility of such measures as have been employed should now be manifest. The facts show that America has become more abundantly supplied with money than any of the great nations with which she trades; and, therefore, except for the investment here of foreign capital or for such abnormal foreign demands for our agricultural products as came in the fiscal year 1892, or in the first half of the fiscal year 1897, money will go abroad, and gold must be the money to go. It is the excess of money, relatively to other lands, that causes the movement, and not the presence of any particular sort of money. The "greenbacks" which are sometimes looked upon here as the cause, are only the means of the withdrawals of gold. As has above been specified, these notes have been present in identically the same amount for nearly twenty years; but it is only during the last eight years that there has always been a net annual exportation of gold. The retirement of the "greenbacks" would, no doubt, tend to check the outflow but so equally would the retirement of an equivalent sum in any other sort of money. And it is extremely doubtful whether the retirement of \$346,681,016 of any kind of money would be sufficient to stop the movement. Painful though a contraction of our currency would be in many places, it is only by a sharp contraction that the present tendency to an outflow of gold can be brought to an end. As long as America's circulation is excessive, relatively to that of other lands, it can do no permanent good to entice gold into the Treasury. Even to draw upon Europe, as was done in the famous agreement with the syndicate which took the third issue of gold bonds in February, 1895, must be ineffectual. It is like trying to raise water in one of several connected vessels to a higher level than prevails in the others.

A relative superabundance of money here appears to have been making for the exportation of gold for many years; but it has been neither unaided nor unhindered in its action. At times it has been strongly reinforced by the foreign sale of American securities, when our country seemed to be moving towards a silver basis; and again it has been hindered and even negatived when foreigners have had renewed confidence in our currency, or have made an unusual demand for our products. The years of greatest exportation have been 1891, the fiscal year of the passage of the Sherman Bill, 1893, when the Government's gold reserve first fell below the customary limit of \$100,000,000, and when it was so uncertain what position Congress would take as to the preservation of the standard, and 1896, when the agitation for silver has been more widespread and aggressive. In 1890 and 1894, on the other hand, the net exportation was very small, and in 1892 it was infinitesimal. It is also particularly to be noted that great exportation of gold is not contemporary with an excessive importation of merchandise. In the fiscal year which closed on June 30th last,

the net exportation of goods was above \$100,000,000 ; yet gold went out to the amount of \$78,900,000.

By the last sale of bonds, in February 1896, the gold reserve was raised well above \$100,000,000, until on March 31 it reached \$128,713,709 ; but as soon as the payments for the bonds were completed, it gradually sank again, and on July 23 was once more below the traditional point of safety, at \$89,669,975. At this juncture, a combination of bankers, induced by patriotic, political, or business motives, deposited some \$20,000,000, taking in exchange legal tender notes ; but after the discontinuance of this policy, the reserve again sank to \$100,957,561 on September 1. In August, when foreign bills began to be sold against the new crops, the exchange rates turned in our favour, gold began to flow this way, and the reserve has not since been in danger : it has even materially increased, by no less than \$23,000,000 in September alone.

The experience of the twenty years just past has shown that, while the inflation of our currency with so much silver has not been sufficient to preserve the former level of prices, or to prevent a change from the old ratio of the precious metals, it has been sufficient to give America more than her distributive share of money ; and therefore it has been sufficient seriously to endanger both the convertibility of the Government notes and the preservation of the gold standard. The past policy and the present conditions are, therefore, entirely acceptable to no class of our people, unless, indeed, it be to those economists who have seen the enormous difficulty of coming to any satisfactory and definitive arrangement, and who, pending a more favourable development of events in the world at large, have been content with a temporary opportunism. Although there are not a few of these opportunists in academic or scientific circles, it would be a great mistake to suppose that their influence has determined our past policy. Our monetary legislation has rather been the result of compromise among several more powerful interests. At the one extreme there is the party of those who for various reasons, interested and disinterested, oppose silver, and more or less strongly incline toward gold monometallism. At the other extreme are those who, for an equally great variety of reasons, would at once open the mint to the free coinage of full legal tender silver at the old ratio of 16 to 1. And, of course, between the extremists stand many whose ideals are more or less satisfied by the present status.

Among serious students of economics in America the importance of the money question has all along been clearly recognised, and, from the first, opinion has been definitely formed. Among professional economists there is a very general, indeed a pretty nearly unanimous, belief both in the theoretic soundness and in the expediency of international bi-metallism ; but there is about as widespread opposition to independent action by the United States alone. President Walker, whose

recent unexpected death has been so great a shock and loss to the economic world, was perhaps fairly representative of American economic opinion. He held that both *a priori* reasoning and the study of history yield strong evidence that an international agreement for the equally free coinage of gold and silver at a fixed ratio would contravene no economic principle; that, therefore, once attained, it could be permanently maintained, and that it would do the world much good. But, on the other hand, he believed that, in view of the greater present strength of the world's monetary forces and the less extensive use of specie among our people, not even the experience of bi-metallic France proved the power of America alone to hold up a bi-metallic system. He was not confident that the great monetary powers would speedily come to an understanding; but he believed that to undertake national free coinage here would make even more remote the prospect of an international agreement; and might merely shift us from one monometallic base to the other, and destroy our par of exchange with the nations with which we have most relations.

To these propositions most American economists would subscribe. At the meeting of the American Economic Association which was held at Indianapolis in the Christmas recess, in 1895, the money question under one aspect and another was up for discussion on two days. Substantially the position outlined above was taken by more than one speaker, and it was not seriously attacked. One speaker did, indeed, suggest that it might be found impossible, for political reasons, to secure the permanent cohesion of several sovereign states, and he did not appear to regard the advantage of bi-metallism at its best as very great. But, barring this and one or two other suggestions of scepticism, there was a general acceptance of international bi-metallism.

There are, however, among reputable American economists several who, for very different reasons, would dissent from the great body of their colleagues. In the first place there are some who are ready for national free coinage of silver. Easily first among these is President Andrews of Brown University, who has long been one of America's most influential advocates of international bi-metallism, but who only last summer came out for independent free coinage in the United States. He believes that it is hopeless to expect any help from the United Kingdom for an indefinite time to come, and that a permanent continuance of the present status would be intolerable for this country. He thinks, indeed, that America alone can now keep up a bi-metallic currency, and in support of this view he points to the unprecedented yet increasing output of gold and to the great monetary strength of our 70,000,000 people. But he would view with no great alarm the disappearance of all our gold and the establishment here of silver monometallism.

On the other hand there are a few professional economists of good standing and some other men of reputation, like David A. Wells and Edward Atkinson, who are monometallists of the strictest

sort. They hold that gold monometallism is, if not a perfect monetary system, at least the best attainable, that a bi-metallic currency never has been and never can be realised, and that the free coinage of silver in America is to be opposed on every ground of justice and expediency.

Outside of the small group of scientific specialists there was for a long time a surprising absence of popular interest in the silver question. The producers of silver and other directly and obviously interested classes were, of course, alert, and naturally others were gradually awakened. The managers of the political parties made perfunctory references to the currency and to bi-metallism in their platforms, or declarations of principles; and in the West and South-west there was no little real interest in the question; but among the people at large there was very general apathy until within three or four years. The questions of the tariff, of electoral reform, of the income-tax, and of the sale of alcoholic liquors engaged infinitely more attention than did anything connected with the coinage or with monetary standards. It may perhaps be said that the discussions which in the year 1893 led up to the repeal of the Sherman Law, were the first manifestation of a concern at once genuine and widespread. From that time to the present propagandists have multiplied and have organised their forces, popular books and pamphlets have issued from the press with almost incredible rapidity, the newspapers have been lavish of instruction as to prices and monetary principles, and the popular interest has waxed hotter and hotter.

In the last year, with its important elections, when both a President and a House of Representatives were to be chosen, there could be no complaint of popular indifference to the money question. It was the issue of the campaign. Mr. McKinley, the candidate of the Republican party, unquestionably owed his nomination to his long and earnest support of protective customs duties. His party managers were evidently eager to make the fight on the question of the tariff; and it was long doubtful what position they would take as to money. But finally, through the influence of Eastern delegates, the nominating convention declared unequivocally for the maintenance of the present currency system until the free coinage of silver might be accepted by the great monetary powers. In the Democratic convention the delegates from the South, South-west, and West, were in undisputed control, and they made money the issue by declaring with all possible fervour and emphasis for the immediate opening of the American mints to silver at the old ratio of sixteen to one. Their candidate, Mr. Bryan of Nebraska, was the youngest man ever put in nomination for the office of President, being but one year beyond the constitutional minimum of thirty-five years. He had seen no public service apart from four years in the Lower House of Congress, and he had no reputation in the country except as a zealous advocate of silver. The Populist party stood with the Democrats on the silver question, and took up their presidential candidate.

As is now everywhere known, the result of the election was distinctly favourable to the Republicans. They not only elected their candidates for the Presidency and Vice-presidency by a vote of 271 to 176 in the electoral college, but also secured a majority of more than 50 in the House of Representatives, and a small majority in the Senate. So emphatic a defeat for those who proposed the free coinage of silver, is in many quarters looked upon as definitively establishing America on a gold basis. In the East especially it is felt that the question of silver has been settled. Such is the implication of nearly all the newspaper deliverances; such is the ordinary assumption of business men, and at the conference of commercial, banking, and political interests which convened at Indianapolis January 12th, such was apparently the interpretation of the November elections. Accordingly, popular interest in monetary topics has considerably abated. It was not, of course, to be expected that the interest could continue as intense as during the progress of the campaign; but there is now beyond doubt less manifestation of concern about monetary problems than in the two or three years before the campaign opened.

Yet to the thoughtful mind the decision of last November is by no means final against silver. In the first place, it should be noted that the victory of the Republicans was not in reality so overwhelming as the most frequent forms of statement would make it appear. In the popular vote, the free silver candidate had 6,500,000 to 7,100,000 for Mr. McKinley: and under our electoral system, if 20,000 of the votes which were cast for Mr. McKinley in the states of California, Delaware, Indiana, Kentucky, Oregon, and West Virginia, had been cast for Mr. Bryan instead, the latter would have been elected. Moreover, in the House of Representatives the Republicans have some forty members less than in the last Congress. The defeat of the free silver forces was not, therefore, a crushing one. And such as it was, it was, no doubt, in part due to causes which cannot always be counted upon to work against silver. Quite certainly the great rise in the price of wheat, which came in the midst of the campaign, brought back to the Republican candidates many of the discontented farmers of the West, who would otherwise have voted the Democratic ticket. Moreover, it is to be remembered that the Republican platform declared most emphatically in favour of international bi-metallism; and it is also morally certain that many who voted the Republican ticket, did so with the hope that through agreement among the great monetary powers, the free coinage of silver might be begun under the most favourable auspices. Should these become convinced that the alternatives are a permanent adherence to the single gold standard and independent free coinage of silver in America, many of them must be expected to follow President Andrews in his advocacy of silver. America's decision is unmistakably against immediate independent action in support of silver; but it is as unmistakable that she has not unconditionally approved gold monometallism.

The first undertaking of the new Administration is bound to be such a revision of the customs laws as shall ensure an increased revenue, and shall restore some of the "protection" which was taken away by the present Wilson Law. Beyond that it would be rash to venture a prediction. There are frequent calls for monetary conferences and commissions of one sort and another, national and international, but most people in this country have come to doubt the efficacy of that kind of action, and it is not probable that anything in this way will be done, at any rate with the expectation of results. Some minor amendments to the banking and currency laws have long been urged upon Congress, but nothing to affect in any important particular the present situation seems impending.

WILLARD FISHER

THE INDIAN PAPER CURRENCY

THE present system of paper currency was started in March 1862. Under the act which came into force from that date, currency notes were issued on the security of coin or bullion and the rupee debt. It was provided that at least one third of the reserve should be held in coin or bullion—the remainder being represented by scrip of the rupee debt held by the head of the currency department. In practice the custom has been to hold a much larger proportion of the circulation in cash than is required under the above provisions. In 1882 the amount held in the rupee debt was sixty millions of rupees. In December 1890, steps were taken to raise the investment to seventy millions, and in December 1891, to eighty millions. The circulation, however, has continued to expand rapidly, and in November 1895, the Government invited the opinions of the commercial community on the question of raising the investment by a further sum of twenty millions. In making the reference the Government pointed out that the gross circulation of paper was about 300 millions, and the net (after deducting the holdings of Government and the Presidency Banks¹) about 210 millions. The bodies consulted agreed that the increased investment could be made with safety, but in some quarters objection was taken to the release of rupees as being contrary to the policy of contraction initiated by the Barham scheme, whilst a few took the academic objection that it was surplusage for Government to hold its own paper as security for its note issue. The Secretary of State when addressed by the Government of India expressed his concurrence with their view that the expansion of the circulation justified the increased investment, and that remote considerations of the

¹ The exchange banks hold their banking reserves with the Presidency Banks, and the latter send their rupees to the currency offices and hold their reserves in currency notes.

possible effect upon the exchange value of the rupee should not be taken into account in determining the question.

Last December the Finance Minister introduced a measure into council to provide for the increased investment, and stated that the decision had been arrived at prior to and independent of the extreme stringency of the money market and the financial difficulties arising through famine. At the same time he pointed to these circumstances as affording good ground for prompt action.

The measure was carried and the investment made, twenty millions of $3\frac{1}{2}$ per cent. paper being issued to the currency department at current quotations.¹

So much for the facts I have heard little criticism of the action taken. In my view anything that hinders a policy of gradual contraction until the gold point is reached, is to be deprecated in ordinary circumstances. The situation, however, is quite abnormal. Owing to the famine now upon us, Government is in straits for money, whilst the winter pressure in the money market is unusually acute. It is, therefore, a bad time to borrow, and a dangerous time to withdraw funds from trade. Looking at the question from all points, I do not think the step can be condemned.

F. C. HARRISON

INTERVIEW WITH MR. MCARTHUR (THE INVENTOR OF THE CYANIDE PROCESS FOR THE EXTRACTION OF GOLD)

HAVING had the good fortune to meet Mr. McArthur, of cyanide celebrity, we took the opportunity of putting to the distinguished specialist some questions bearing on the monetary controversies in which our readers are so much interested.

Referring to the opinion expressed by eminent geologists like Prof. Suess, that the supply of gold is destined at no distant epoch to run short in such wise as not to keep pace with the production of commodities in general, we asked Mr. McArthur whether he agreed with those authorities. He replied that geologists, like other people, did not care to acknowledge ignorance; but it seemed to him that there were not any grounds for the opinion. There is no more reason to apprehend the dearth of gold than of other metals, such as copper, lead, and zinc. We have been mining those metals now for centuries, and no one can say that we are within sight of exhaustion. It is different and better with gold, for true gold mining crept into existence only about 1860. Prior to that date the world's supply of gold was derived princi-

¹ The former practice was to buy the stock in the market gradually as opportunity offered.

pally from alluvial deposits. These deposits were in an absolute sense great ; but, comparatively, one is safe in saying they were small. The popular opinion is that the alluvial deposits came from reefs, and that nature by the agency of the weather crumbled and broke down those reefs, washed down the débris, and left everything ready for human art to separate by further washing the sand, gravel, and boulders from the scales and nuggets of gold. Man has now begun to trespass on nature's reserves. We cannot wait long enough for the weather to do its work. We therefore open up the reefs, follow them down into the earth for hundreds and even thousands of feet, bring the auriferous rock to the surface, and replace nature's slow agencies by the stamp mill and steam engine. There seems no limit to possible discoveries ; now especially that we no longer, as some years ago, depend for the greater part of the supply on washing. The proportion of the two sources, alluvial and reefs, which was about four to one some years ago, when some of the dismal prophecies may have been made, is now reversed. Since 1860 reef mining has gradually displaced placer or alluvial working in the United States, Australia, and New Zealand, though even in these countries there is still a large production from alluvial workings. To this day the alluvial output of gold in Russia (including Siberia), the West Coast of Africa, British, Dutch, and French Guianas, some of the South American States, and Borneo is overwhelmingly greater than their output from reefs which is only a thing of yesterday. There is almost no alluvial working in the Transvaal, the industry having begun and continued there as reef mining ; and in West Australia there is absolutely no alluvial working. All this shows that gold mining is just beginning to take the place that copper or lead mining has occupied for centuries. One has no more reason to doubt the continuance of gold reefs than one has to doubt the continuance of other metalliferous mines. No one can say what quantities of gold may be concealed in the more central parts of the earth ; nor what improved means science may find for extracting it from great depths.

We asked then if the outlook in silver had the same cheerful vagueness. Mr. McArthur entered into interesting details as to the different conditions required for extracting the two metals from the ore. The extraction of silver from the ore requires more capital per ton of matter than the extraction of gold. The rule is to extract gold from the ore at the mine itself, but silver cannot be extracted by the same simple process ; its ores are generally collected and "shipped" by rail or otherwise to the nearest smelting centre, which is always located at some spot where supplies of fuel, fire-brick, ironwork, &c. may be easily obtained. It is quite true that gold requires for its extraction fuel for the engine, unless water power is available, but any kind of fuel is good enough for getting up steam, whereas only high class fuel is permissible in smelting—hence the greater cost of silver extraction.

So far the answer seemed favourable to the view of those who hold

that a conjunction of two metals will be more stable than one alone; the supply of each fluctuating fortuitously—if one may call human ignorance chance. But recollecting that this argument requires that the fluctuations of the elements to be combined should be *independent*, we asked to what extent the production of one precious metal involves that of the other. In reply Mr. McArthur gave details such as the following:—"There is no observed connection between gold deposits and silver deposits. The two industries are virtually separate and independent from each other. It is the case that a mine begun as a silver mine may change into a gold one and *vice versa*, but this is the exception and not the rule. Similarly tin mines may run into copper, or lead into zinc, and so on. As a matter of fact, however, recognised silver mines produce very little gold, and recognised gold mines produce very little silver. Native gold from alluvial workings or reef gold extracted by stamp and amalgamation or cyanide, always contains a small amount of silver, but as a rule the gold immensely preponderates. The gold obtained in the Transvaal contains about one-sixth part silver, and this may be taken as representing the world, though in some localities, especially in New Zealand and Nevada, the amount is much greater. On the whole, gold production is an inconsiderable factor as a producer of silver." He added, however, that in one respect advance in the two species of production went together. Any improvement in the art of mining would be equally available for one kind of mine as the other. Asked to name a figure in answer to the following question: If you were told that the production of gold had advanced in a given year, or biennium, over the average production of the last few years by a certain percentage, by what proportion of that percentage would you expect that the production of silver would have advanced? Mr. McArthur said: "If there were a sudden increase in gold production for one or two years, I should not expect the production of silver to be specially affected by that fact. Probably the production of silver would rise, because it is well known that an increased production of gold stimulates the production of all other commodities, but beyond this I see no reason why the production of silver should be affected."

Still concerned for the argument, which requires not only that the supply of two metals should fluctuate fortuitously and independently, but also that one should not fluctuate much more violently than the other, we elicited this reply: that there might be differences in the past, but not sufficient to justify any marked distinction between the metals in this respect.

Could this argument then be extended to a *third* "noble metal," to platinum? No; the supply of platinum is decidedly less steady, and the mass is insufficient.

Once more anxious for the future supply, we asked: Is it true that there is no falling off in the application of capital and labour to the extraction of gold? On the contrary, was the response, there is more capital than ever being invested in the gold industry. It is

well known that enormous losses are made in gold mining speculations, but it cannot be said with equal truth that these losses are made in the mines themselves. The speculative losses are made principally in London and other commercial centres, and consist very largely in the transference of money from the pocket of an easily persuaded man into the pocket of a man who is gifted with a plausible manner and persuasive tongue. In gold speculations people will run risks that would not be dreamt of in other industries. Until recent days gold speculators were content to entrust their money to men whose experience was rather rough and tumble and who had not the inclination nor the ability to keep an exact account of income and expenditure, of profit and loss, and who despised all metallurgical knowledge which went beyond the rule of thumb. Within the last few years this condition of affairs has gradually improved, and money spent on gold mining is generally laid out with a view of making profits on a commercial basis. Our interlocutor confirmed from first-hand experience all that we have read about the glamour of the chase for gold, the impossibility of tracing an exact correspondence between the prize and the sacrifice.

There followed much conversation about Mr. McArthur's own inventions, of which one of the best published accounts is, we learn, in Dr. Rose's *Metallurgy of Gold*. The McArthur-Forrest process was first patented in 1887, and came into extensive use about three or four years later. It is noteworthy that the production of gold has almost doubled since then. This is largely due to the gold recovered by cyanide directly, which would otherwise have been lost to the world. But indirectly it has contributed much more largely, for many mines which could not have paid their way without cyanide now produce their full quota of gold by the older and more imperfect method of amalgamation besides the cyanide-yield which is the profit-yielding part of the production. About 30 per cent. of the gold produced in the Transvaal is the direct outcome of cyanide, but only a very few of the mines there could pay their way without the last 30 per cent. ; therefore it is no more than fair to credit the cyanide with the whole production when it produces the final and profitable fraction without which the extraction would be so materially incomplete as to make the whole operation profitless.

It is not true that there is any danger of the production of cyanide being hampered through want of sodium, for it is now made by some of the leading manufacturers without the use of any sodium whatever. Beyond this if sodium were required rumour says it is to be cheaper than ever when the establishments at Niagara and the Falls of Foyers are in full operation.

Mr. McArthur has not made much progress in extracting the three quarters of a grain of gold that is contained in the average ton of seawater.

THE EDITORS

ROUNDABOUT SHIPPING

THERE is a widely prevailing belief, or rather a tacit assumption, that whilst British railway rates are practically fixed by Act of Parliament, ocean freights for merchandise are determined only by the influences of free competition. The assumption is entirely erroneous, so far as it applies to a very large, and from a national point of view, a very important part of our export trade. This is, in certain directions, so effectually controlled by "rings" or combinations of ship-owners—euphemistically called "conferences"—that notwithstanding the great fall in prices within the last twenty years, notwithstanding the reduction of freights in branches of shipping not thus held as a monopoly, notwithstanding even a certain reduction of railway rates, and notwithstanding the great economies in the cost of ships, the improvements in steam engines, and the lessened cost of sea transport, little or no change has occurred in the rates of outward freight in these departments of commerce.

Amongst the evil consequences of this state of things, one of the most serious is the extent to which British industries are subjected to non-natural competition from abroad. In the first place, certain important commodities—textile manufactures in particular—cannot be exported to some of the chief markets of the world without being saddled with expenses far in excess of the actual cost of transport, and considerably in excess of the freight rates from competing countries to the same markets. Secondly, raw produce, a portion of it—wheat from India, for example—competing with that grown at home, is brought to our shores at rates determined by open shipping competition, which are, it may be admitted, sometimes below the cost of transport. The loss on inward cargoes thus sustained by the ship-owners is compensated by the highly profitable rates which he is able to secure upon the outward cargoes. Thus the British manufacturer is injured by an artificial clog upon his export trade, and the British farmer by the landing at our ports of competing foreign produce brought at a charge for freight lower than could possibly exist but for the excessive profit obtained from the carriage of export.

I do not intend, in this brief note, to discuss the causes of this very unsatisfactory feature of our foreign trade. I desire only to point out a particular and extraordinary consequence of it. It is a fact that in order to avail themselves of the comparatively favourable rates of freight existing between Holland and Java, Manchester exporters of textiles to the Dutch East Indies are obliged to incur the extra expense of conveying their goods first to Amsterdam. Cotton manufactures are sent, for example, by steamer from Manchester to Rotterdam, are there transferred to steamers proceeding to Amsterdam, where they are put on board British steamers sailing to Java which afterwards come round to Liverpool, before leaving for their ulti-

mate destinations, having in their holds the Manchester goods which have thus made this circuitous voyage, with two trans-shipments. In other cases, Manchester bales are sent by rail to Hull, and thence by steamer to Amsterdam, where they are shipped by vessels calling at Southampton before leaving European waters. The reason for this wasteful and roundabout method of doing business is that ship-owners, British and foreign alike, accept lower rates to distant ports, than they will take for the same goods when shipped at English ports at which their vessels call on their way out. For the shorter voyage, and the smaller service, the higher charge is insisted upon, and this is so much higher that it is worth the while of the exporter to incur the expense of taking his goods to the continental port of original departure.

This discriminating process is much more widely prevalent than the public is aware of, and it is obviously a question of national, as well as of particular industrial interest, that the problem which it presents should be fully discussed and practically dealt with. The Wolverhampton Chamber of Commerce has recently published some interesting information showing how the iron and steel industries of this country are unequally weighted with excessive freight rates, in their competition with similar industries abroad. The power of the combinations is, undoubtedly, very great, and it is in no way dependent upon legislative favour or sanction. If it were, it might perhaps be more easily overthrown. The methods by which it is sustained are fully known only to a few. It is, however, obviously a matter of great moment, in these days of the growing effectiveness of foreign competition in the world's markets, that freight discrimination, inimical to the industrial success of this kingdom, should be removed. For the accomplishment of this work British industrial and commercial associations possess the means of useful service which they are bound to exercise in the interests of the nation as well as in those of the industries and trades which they severally represent.

ELIJAH HELM

SOME RECENT LABOUR DISPUTES.

THE explanation of the disputes in the London Building Trades of 1896 needs a brief recital of earlier events in the recent history of this group of trades.

Since the great strike of carpenters and joiners in 1891 the building trades had been in a somewhat disturbed condition in London. The neutral award of that year was followed by a renewal of negotiations in 1892 resulting, except for the plumbers, in the acceptance of a common code of working rules for all branches, and in a uniform advance in wages of $\frac{1}{2}$ d. per hour.

But important though the agreement of 1892 was, it secured no permanent settlement: the various trade societies continued to strengthen their position, feeling that in their federation, although the masons kept outside it, they possessed a great, if somewhat novel weapon of combination; the whole of the decade had proved a period of prosperous activity in the building trades of London, and operatives therefore knew that the strength of the economic position of the moment was on their side; the old sources of difficulty—the employment not simply of non-unionists, but of *anti-unionists*, and, especially in the plastering and bricklaying, the introduction of the piece-master—were constantly reviving; and, finally, while a penny had been demanded, both by the carpenters and joiners in 1891, and by all sections in 1892, only a halfpenny had been secured.

On the other hand employers had been in a constant state of irritation, largely from the feeling of uncertainty as to when one or another of those in their employ might be marked out as a “blackleg,” and as to when, therefore, a dispute and consequent interruption of the work might be impending. Disputes in consequence of the employment of non-union men, as such, had been, it is true, rarely if ever sanctioned by the central executives of the various Trades Societies, but action on this ground had, nevertheless been not infrequently taken without reference to headquarters, and the annoyance to employers had been equally great whatever the sanction might have been.

From this combination of disquieting causes the apparent had not proved a real peace, and, on every hand, some further adjustment was felt to be necessary. It has been in intimate connection with the situation thus created that the disputes of 1896 have been entered upon and settled.

The first important step towards readjustment was taken by the Masters' Association by whom the stipulated six months' notice to terminate the agreement of 1892 was given on November 1st, 1894, the same date, it may be noted, as that on which the strike against Messrs. Trollope was entered upon. The winter of 1894-5 was thus passed with the knowledge on both sides that should no fresh settlement be arrived at the trades would be without a code of working rules from May 1st onwards, and that a general uncertainty of conditions would prevail.

In January, 1895, a notice was affixed to the works of the members of the Masters' Association to the effect that “no workman should be placed under any disability by reason of being or not being a member of a trade society,” and early in that year a complete code of revised rules, based on those of 1892, was drawn up by the Association, and submitted to the various trade societies as a basis for a future agreement. The above “disability” clause, and a further clause providing that “no objection shall be raised to sub-letting work provided that these rules are observed” were the most important changes suggested.

During February and March, 1895, three important conferences

between the masters and men were held. Almost all the operative branches of the trade were represented, and it was found that on behalf of the latter a unanimous objection to the above two clauses was raised. The disability clause was objected to mainly on the ground that it went too far, and covered too heterogeneous a body of men. The unionists wished to reserve to themselves the right of refusing to work with those who were, not simply non-unionists, but their "avowed enemies." The main objection to the clause that gave conditional sanction to sub-letting was that the practice led to scamping the work, to "sweating" the worker, and to uncertainty, when the piece-master was a "man of straw," as to payment of wages for work done, and to compensation in case of accident.

A further proposal of the masters that the six months' notice to terminate the rules, instead of necessarily taking effect in May, might be given at any date by either side, was also resisted, it being urged by the men that they would be put at an unfair disadvantage in obtaining a fresh settlement at any future time should the notices have been so handed in as to terminate in the dead of winter, when work is slackest, and the position of the men the weakest.

These Conferences of 1895 dealt with most of the controverted points, except the question of wages, and paved the way for the settlements of 1896. Although there was little agreement on any of the definite suggestions made by the masters the tone of the meetings was very friendly, and augured well for the future. The spirit of compromise was abroad, and the important counter-suggestion of the men that a Trade Conciliation Board should be established permanently for the settlement of disputes was willingly accepted in principle by the masters, it being indeed a revival of a similar proposal made by them some years previously.

Up to this point we find the main branches of the trade acting together, and the position of the Building Trades Federation strong, in spite of the continued refusal of the masons to join. During 1895, however, disintegrating influences began to operate, strengthened it would seem by the failure of the strike against Messrs. Trollope in the early part of the year, and by the judgment obtained by Messrs. Trollope and others against the Secretary and Executive of the Federation for the publication of a "black list."

The first serious step towards independent action was taken by the carpenters and joiners who, without notice to the federated sections, and apparently hastily forecasting the failure of negotiations with the employers for a revised body of rules, secured an expression of opinion from their own members in favour of a strike to force the Masters' Association to revive the agreement of 1892. The vote was never acted upon, but the action greatly irritated the other members of the Federation, and one of the results is seen in the six months' notice given independently by the bricklayers in November, 1895, for an advance of $\frac{1}{2}$ d. per hour in wages and for a revised code of rules.

Negotiations followed and a settlement was arrived at for this trade without a strike, the $\frac{1}{2}$ d. rise being conceded, the "disability" being added to the Conciliation clause, and the date for the termination of the stipulated six months' notice being left unfixed.

From the end of 1895 the various branches of the trade seem to have acted independently of each other, as though no Federation had been in existence, and the result is seen in the differences, in some cases of considerable importance, in the various codes of working rules now in force.

Like the bricklayers, the plumbers, the machinists, the smiths and fitters, and more recently, the masons, have all secured the extra $\frac{1}{2}$ d. and a revised code of rules without any strike.

The painters, perhaps the least organised section of the building trades group, were able to take no effective action.

The builders' labourers, after a prolonged strike, during which with the exception of the builders' labourers' branch of the Gas workers' Union, they well-nigh exhausted their funds, have been defeated. They struck for the rise of $\frac{1}{2}$ d. per hour and a revised code, and were offered $\frac{1}{4}$ d. This they refused, and the offer being subsequently withdrawn, the men are now working without any definite agreement and at the old (1892) rate of wages.

There remain the plasterers and the carpenters and joiners. These are the only two sections, with the exception of the labourers, in which a strike took place. In their case a fresh settlement was arrived at, the $\frac{1}{2}$ d. rise was granted, the minimum rate being thus fixed at 10d., and a fresh code of rules was adopted. In neither case do the old contested suggestions of the masters as regards "disability" and "sub-letting" appear, both being satisfactorily lost in the new rule by which it is agreed that disputes shall be referred to a committee of conciliation.

The strong position of the plasterers is reflected in the drafting of this rule, which, in their case, runs as follows :—

Rule 10.—That in the event of a dispute arising on any job or works, the district officials of the National Association of Operative Plasterers shall send written notice to the Central Association of Master Builders of London, who shall inform them whether the said builder is a member of that body. If so, a strike shall not be sanctioned by the N.A.O.P. until six clear working days have expired from the receipt of such notice, during which time the matter shall be considered by the employers and the representatives of the workmen with a view to an amicable settlement."

In the case of the carpenters and joiners we find the following much more elastic provision :—

"Rule 10.—That in the event of an objection to the employment of any workman no strike shall take place prior to the matter being referred to and decided by the Board of Conciliation, whose decision shall be final and binding.

As a sample of a case in which the contested "disability" clause appears in the new rules, we may cite that of the smiths and fitters

to whose rule providing for the reference to the Committee of Conciliation of all disputes "which cannot be settled by the employer and employed," we find the following abrupt addition: "Provided that no objection shall be taken to any workman in consequence of his belonging or not belonging to any trade society."

The rules under which the various committees of conciliation will act have been drawn up, but have not yet been signed, the judgment in the Trollope "Black List" case having raised doubts as to what the legal liability of the members of the Committee may be in deciding on disputes which turn on the qualification of individuals to whose employment objection may have been raised.

Two minor alterations in the rules of 1896, still further differentiating them from those of 1892, are seen in the provision by which, although the one hour's notice on either side is retained, it is agreed that if more than 10 per cent. of the workmen of the trade give notice on any one day (except Saturday) they shall not be entitled to receive their money until noon of the following day. The contractor is thus safeguarded against the necessity of keeping a large supply of cash in hand to provide for immediate and unexpected claims for payment of wages.

Finally, as regards the time of the six months' notice to terminate the rules, we find that the plasterers again occupy the strongest position, the date of termination being fixed, in their case, at the first Saturday in March. In the case of the carpenters and joiners no date is fixed, but there is an "understanding" minuted, although not embodied in the rules, that the notice should not terminate in the dead winter season.

The following table will give more detailed particulars as regards the various trades in which either a strike or a lock-out took place.

London Building Trades: Particulars of Disputes, 1896.

Branch of Trade.	Nature of Dispute.	Period.	Approximate Cost.	Settlement
Plasterers	Strike	May 1 to July 18	£8,000	Advance of $\frac{1}{4}$ d. per hour. New Code of rules.
Carpenters and Joiners	Strike	May 18-30	£4,000	Advance of $\frac{1}{4}$ d. per hour. New code of rules.
Labourers	Strike	May 1 to June 20	£9,700	No advance. No code.
Bricklayers ...	Lock-out ¹	—	£5,000	Work resumed on cessation of labourers' strike.

¹ In consequence of the labourers' strike.

Although at times the public mind was attracted to the disputes above mentioned, it was rather through the rumours of an impending general strike in the building trades than through any movement that actually took place. It has been seen that in the majority of trades the fresh agreements were arrived at by simple negotiation; that the points under discussion—rates of pay, employment of non-union men, &c.—were adjusted by methods of conciliation, and that clauses were introduced with the object of averting actual disputes in the future. On the whole, the series of agreements illustrates favourably the possibilities of industrial diplomacy when the trades concerned are highly organised on both sides. It may be noted, moreover, that the different Agreements reflect a relationship to the measure of organisation achieved: on the side of the employers the Masters' Association acted throughout, but on that of the employees the societies ranged from the strong and somewhat uncompromising union of the operative plasterers to the disintegrated sections of the painters and labourers, and in the event we find that it is the plasterers (albeit after a strike) who secure the most favourable terms, while the painters and labourers secure nothing at all.

Two recent disputes—the imminent strike among the London and North Western employees in December 1896, and the lock-out still in force (February 16) of the Bethesda quarry-men—have illustrated quite different phases of the relations of employer and employed.

In the case of the railway servants we find an old established and wealthy trade union formulating certain claims as regards wages, hours of work, Sunday duty, etc., many of the details of which are still under consideration, and presenting them on behalf of their members to the management of the various railway companies. The officers of the L. and N. W. R. acting on the assumption, admitted in the final agreement to have been a not unreasonable one, that a strike had been definitely decided upon, instituted enquiries among certain classes of their employees in order to estimate the numbers upon whom they could rely should the men be called out. As a result of these preliminary investigations, a certain number of men were dismissed.

The issue between the trade union and this particular company was in consequence at once changed, the action of the latter being interpreted by the men as an attack upon the union itself, or, to quote from a circular issued on December 8, "as a determination to crush all efforts made to redress grievances."

Although a strike had neither been threatened nor anticipated by the men,¹ the dismissals of some of the men, and the refusal on the part of the general manager to recognise the executive of the union completely changed the aspect of affairs, and on December 10, Mr. Harford, the general secretary of the union, in his letter to Mr. Ritchie requesting him to exercise the powers conferred on the Board of Trade under the Conciliation Act of 1896, declared that a strike was imminent. Events,

¹ *Railway Review*, December, 1896.

however, moved with great rapidity. On the same date a letter had also been addressed to Mr. Ritchie by the secretary of the L. and N. W. R. on behalf of the directors expressing their willingness to meet the dismissed men "either by themselves or before the Board of Trade." On the following day as a result of separate interviews with Mr. Ritchie by Mr. Harford and Mr. Harrison, the general manager of the company, the following Agreement was forthwith arrived at:—

"1. Mr. Harford states that no strike was intended, and repudiates responsibility for anything which has appeared to the effect that a strike was intended, but admits that the London and North Western Railway Company had good ground for assuming there would be a strike.

"2. Under these circumstances, the company will reinstate the men who have been dismissed under the impression that a strike had been resolved on.

"3. The company will receive and consider any representations which their employees desire to place before them, and are willing to have a personal conference with them should they feel themselves unable to give a favourable reply to the representations.

"4. No hostile action will be taken on either side pending the proposed negotiations."

The episode resulting in the above agreement affords a striking instance of the admirable services that can be rendered by a third party to the actual disputants when both have over-reached themselves. The railway men had been unwillingly almost committed to a strike through a course of events and a trend of feeling that they could not control, while the management of the company, starting with a misapprehension as to the probability of a strike, took up a position which, even though supported by the plea of their responsibilities to the public, was indefensible.

The dispute at the Bethesda Slate Quarries is still unsettled. In this case, as in that of the railway men, we find an attempt to secure concessions on points of detail, such as rates of pay and terms of contract for work, suddenly converted into what is regarded as the defence of a great principle. But in this case we have a loosely-organised body of wage-earners, instead of a well-established trade society, dealing with a single employer, instead of with a great Corporation with many public responsibilities. The suspension by Lord Penrhyn of the Committee elected by the men, in consequence of their action with reference to the concessions demanded, and his subsequent refusal to accept the mediation of the Board of Trade, to recognise the Committee originally appointed by the men to act on their behalf, and to allow any third party whatsoever, even an outside reporter, to be present at interviews on behalf of the men, have been interpreted by them, and by a large section of the public, as a refusal to recognise any right of effective combination whatsoever.

It may be admitted that the reasonableness of the attitude of Lord Penrhyn is to some extent determined by the past about which the

public thinks little and knows less—by his capacity as an owner, and by his considerateness as an employer. In industrial disputes, right is rarely found altogether on one side, and it is probable that, in this case, the recognition which Lord Penrhyn's record deserved has been at times overlooked. But, although this may be so, it is difficult to justify the absolutism of some of his decisions, and the attitude that he has adopted gives colour to the contention of the quarry-men and their supporters that they are fighting over again for what has become the elementary right of combination. Perhaps the most serious lesson of this melancholy struggle is the difficulty of devising any certain means of ensuring recourse to the methods of industrial conciliation or arbitration when either party to a dispute is hostile to them. The optional clauses of the present Conciliation Act are clearly almost useless for the purpose, and it is difficult to make a method of conciliation compulsory without incurring many serious dangers.

ERNEST AVES

THE RECESS COMMITTEE AND REMEDIAL LEGISLATION FOR IRELAND¹

"In order to promote the interests of agriculture, which are of paramount importance in Ireland, you will be asked to consider a Bill for the establishment of a Board of Agriculture in that country."

IN these words the Government have correctly stated the main economic fact of the Irish question, and may be said to have announced an economic policy for Ireland. The present writer is, at the time of writing, in ignorance as to the details of the proposed measure. But he has, in conjunction with some three dozen leading Irishmen, representative of the agricultural and industrial interests of Ireland, North and South, arrived at certain definite conclusions as to the principles upon which legislation on this subject should be framed, if it is to effect any marked or permanent improvement in the conditions under which Irish farming is carried on.

It is true that the Recess Committee formulated and submitted to the Government a scheme of remedial legislation which went beyond the scope of the Bill as announced in the Queen's Speech. They asked for "A Department of Agriculture and Industries" which should include an all-round scheme of technical education. They were aware that they were making a considerable demand upon the Treasury. This they justified to themselves on two grounds. The results of the commercial restrictions of the past were still felt in Ireland, and not counteracted by such educational facilities as are provided by the paternal governments of Europe. They felt also that, quite apart from motives

¹ *Report of the Recess Committee on the Establishment of a Department of Agriculture and Industries for Ireland.* Price 1s. London: T. Fisher Unwin, Paternoster Square. Dublin: Browne and Nolan, Nassau Street.

of justice or generosity, any reasonable expenditure which raised the economic condition, or, let us say, the taxable capacity of any of its backward parts, would be good policy for the United Kingdom.

It may be worth while to indicate the reasons which induced the Committee to combine agriculture and industries in their legislative scheme. The work of developing the economic resources of Ireland is one which must in any case be entrusted to a specially created department; and as these economic resources are at present, and must be for some considerable time, mainly agricultural, it was felt that to divorce the industrial portion of the work from the agricultural would lead to waste of energy, and to confusion, and probably even friction in administration. The needs of agricultural and commercial industry are generally analogous; but in Ireland, where the greater portion of industrial expansion must grow out of agriculture, and the greater portion of the industrial population be supplied by what is now an agricultural class, the community of interests between agriculture and industry is closer than anywhere else. Add to this that at present there is a great deal of what may almost be called chaotic administration in Ireland, into which one of the functions of the new department would be to introduce order, and order can only be really secured, under the circumstances, by including the technical education relating to industries, and the technical education relating to agriculture, within the jurisdiction of the same body. At present, for example, agricultural instruction is in charge of the Board of National Education, while such technical education for industrial purposes as is now carried on in Ireland is in charge of South Kensington. Three separate departments are entrusted with the collection of statistics; responsibility for erecting fishery piers and harbours is divided between two departments. All of these divided functions are closely related to each other; they are now most imperfectly discharged; and they can only be adequately performed by being brought under one general control. There being no special department of Government at present charged with the whole subject of education in Ireland, secondary and higher, no theoretical argument can arise that technical education should be entrusted to an Education Department. In the absence of such a department, there is simply no alternative but that which in any case we believe to be the wisest course, namely, placing technical education, both for agricultural and industrial purposes, in charge of a Department of Agriculture and Industries.

However, the entire policy of the Recess Committee is apparently not, for the present, to be entertained. At least technical education relating to the industries is to be left untouched until a later occasion. The question, then, of immediate interest, is:—"What can Government do for the development of the agricultural resources of the country?"

The unanimous reply of the Recess Committee to this question must have been somewhat of a surprise to political economists. Ireland is generally regarded as a country of hopeless and demoralising fallacies

upon the functions of the Government in relation to the business concerns of the people. The committee say in effect that they rely mainly upon the efforts of the people for the advancement of the agricultural interests of the country; that they *do* require State assistance; but that this should be so given as to draw out, not provide a substitute for, the initiative of the people. They found their hopes of agricultural improvement upon the hearty co-operation of a self-reliant people with a Government ready to supplement, with legitimate State aid, any genuine organised self-help which may exist or may be brought into being.

Readers of the ECONOMIC JOURNAL will be in sympathy with the attitude thus taken up by the Recess Committee. But they may regard the situation which it is hoped to create as altogether outside the possibilities of Irish life. It may be so. But the difficulty will not arise with the people. They are quite prepared to do their part. Indeed, in capacity for industrial combination, and in intelligence to grasp its advantages, the Irish farmers are showing themselves far superior to the English. The ready acceptance by the Irish farmers of the principles and discipline which render voluntary association economically sound, industrially effective, and socially beneficial is perhaps the most encouraging feature in the general improvement of Irish affairs.

Space would not allow of any detailed account of the spread of Agricultural Co-operation in Ireland. The following table shows the numerical increase of these little farming societies since the idea of importing Continental methods of association into Ireland first entered into the brain of a few enthusiasts.¹

	No. of societies registered	No. of members.
1889	1	50
1890	1	50
1891	17	850
1892	25	1,050
1893	30	1,250
1894	33	1,650
1895	67	3,800
1896	110	10,100
1897	140	14,500

These societies, it should be explained, are of several kinds. There are Co-operative Dairying Societies for the better and more economical production and distribution of butter; Co-operative Agricultural Societies for the joint acquisition of farming requirements, of the best quality and at the lowest price, for the joint sale of agricultural produce and other similar purposes; Co-operative Pig-feeding

¹ The figures for 1895, '96, and '97 are to March 31; those given for 1897 are of course estimated. The *exact* number of members cannot be given as they are always changing.

Societies for the better feeding and breeding of swine, and marketing of bacon; and Agricultural Credit Societies, which, by co-operative action, secure better credit facilities for their members; Co-operative Cattle-breeding Societies for the joint ownership of pure bred bulls, and local improvement in breeding and rearing cattle; Co-operative Poultry Rearing Societies; Co-operative Home Industries Societies, &c. The first two classes of societies are the most numerous.¹

Various as are the functions of these societies their origin, constitution, and method of procedure are essentially the same. Those which have started since the spring of 1894 have been "organised" by the Irish Agricultural Organisation Society, the successor of the earlier promoters. In no case is any aid beyond advice given. They are all autonomous and self-supporting. Their members elect, on the one man one vote principle, a committee of management, and this committee transacts the business of the society during its term of office. The "General Rules" are those prescribed by the Co-operative Union, "Special Rules" being added in each case to meet the requirements of the particular business to be transacted. The well-known co-operative provisions as regards profits—the limitation of the dividend upon the share capital, the division of the remainder among the members and workers in the society, in proportion to the business done and wages earned respectively—are generally adopted. The really important fact is that the societies succeed. They of course get into difficulties occasionally. They have their little quarrels and sometimes suffer financial losses. But the former are quickly healed, and the latter are looked upon as the price of experience. Neither the one nor the other divert the farmers from this new path of progress, and their societies have evidently come to stay among us. The Organisation Society's office is deluged with pressing invitations from bodies of farmers throughout Ireland anxious to join the movement, so soon as they can be instructed on the principles and details of sound and effective business combination. It is only want of organising funds which delays the universal adoption of voluntary association in the Irish farming industry.

Not only is this system of agricultural organisation working out in Ireland, but the Recess Committee found that in every country on the Continent which they examined agricultural organisation was regarded as being the chief lever of progress. Three principles of promoting agriculture, their report points out, are common to all these countries, namely, Organisation, Representation, and Education. The organisation is precisely of the kind described above, and for a full account of it I could wish that every reader who has so far been interested in what I have written should turn to the report of the Recess Committee itself and its various appendices. I may mention, however, some particulars under the three heads in question. First

¹ See account of Irish Agricultural Corporation in the *ECONOMIC JOURNAL* for March 1896, by Rev. T. Finlay, S.J.

as to Organisation. In France there are 6,500 agricultural societies, of which 5,500 are co-operative societies of various kinds. In Prussia there are 7,200 agricultural co-operative societies, including Raiffeisen Banks, co-operative dairies, and other types of societies. In Austria there are 1,916 Raiffeisen co-operative banks, whose transactions in one year amounted to £17,200,000. In Würtemberg there are 1,223 such banks, with a capital of £2,000,000. In Switzerland there are co-operative dairy and other societies in every canton. In Denmark there is a co-operative dairy society in every parish. Bavaria has 1,751 co-operative banks and numerous other societies. Hungary has 1,200 co-operative agricultural societies. In Belgium, besides a series of agricultural associations, which practically elect the State Department of Agriculture, there are 417 co-operative societies, the Minister of Agriculture issues special circulars promoting the establishment of these organisations.

Under the head of Representation, I would point out that in almost every one of these countries the practice is to have the State Department of Agriculture advised by an elective body called a Consultative Council representing the agricultural classes and chosen from the agricultural societies. The Minister or other head of the State Department is bound to attend the sittings of this council when they take place, a couple of times in the year. To the council he submits various questions for its advice, and with the council almost invariably originate the suggestions for legislation dealing with agriculture which the Ministry may adopt. By this means the Departments of Agriculture are brought directly into touch with the classes whose interests their work concerns. They may then be said to be advised by these classes, and these classes may then be said to be in a measure represented in the Administration.

Under the head of Education, it will be enough for me to mention a few figures. In the promotion of agriculture, the chief item being agricultural education, the State in France, Denmark, and Switzerland spends 12*d.* per inhabitant. In Hungary the state spends 23*d.* per inhabitant on technical education relating to industries. (Switzerland spends £1,575,000; France £1,070,800). If Ireland spent the same proportion as Denmark, France, or Switzerland, on the promotion of agriculture, her State, apart from her local expenditure, would be £230,000 annually. If she spent as much per inhabitant as Switzerland on technical education, and the promotion of industries, her annual expenditure, State and local, under this head, would be £2,314,000.

The suggestion of the Recess Committee, on the subject of the constitution of the proposed department, is that it should consist of a board with a Minister responsible to Parliament at its head, advised by a Consultative Council of the kind above described. We do not believe that any lesser change in the existing system of Irish Government would call out the initiative and responsibility of the people

themselves and nourish the spirit of self-help. This is the test which the Recess Committee, and that portion of Irish opinion for which it speaks, will apply to the remedial measure about to be divulged.

HORACE PLUNKETT

RECENT OFFICIAL PAPERS

Money and Prices in Foreign Countries. Special Consular Reports, issued from the Bureau of Statistics, Department of State. (Washington: Government Printing Office. 1896. Pp. 274.)

THESE reports deal with the existing monetary standards, amount of currency in circulation, and changes of standard in the last thirty years in European and American countries; and in these respects form an extensive and convenient summary of present currency systems. The object of their collection was more ambitious than this, for it was the intention of the department to accurately inform the people of the United States "as to the practical effects on industrial activity, prices of commodities, and wages, of the various systems of currency in force." The materials necessary for this comprehensive survey do not exist, and all that the consuls were able to supply were very scrappy reports on wages and prices compiled from official sources. Existing tables of wages refer to very various dates in different countries, and only result as far as purposes of comparison are concerned in generalities such as "stationary," or "slight advance"; but from data here given the student is able to judge to some extent in what directions further investigations are possible. The reports on prices are intended to distinguish between goods imported, goods exported, and other home products, and to some extent this is done; and since most of the returns refer to the years 1886-7, and 1895-6, there is some possibility of making quantitative comparisons between the course of prices in different countries; it is doubtful, however, whether the result would repay the labour, for the means of weighting the changes in price of different items are not given, and it would be necessary to take the arithmetic average, or, better, the median of these changes. The most complete lists are from England (exports, imports, and products), Germany (where these groups are not distinguished), and the United States, the latter containing newly collected figures for 1896, so that a comparison is possible between these countries. There are important figures on agricultural wages in the States from a report of 1892, very difficult to obtain in this country, and a more recent report, about to be published. The articles on currency in Mexico and Chile are especially complete and interesting.

A. L. BOWLEY

Report of the Royal Commission on Land in Wales and Monmouthshire. Appendices to the Report.

THE portentous size of the official volume now before us, due in part to the encyclopædic nature of its contents, in part to the inability of the persons responsible for its literary form to express their meaning otherwise than bombastically, unfortunately prevents us from attempting to deal with it in other than a piecemeal fashion. We can confidently recommend attention to its very numerous maps and its occasional illustrations. We are credibly informed that the chapter on botany and natural history is weak; on the other hand that dealing with racial and linguistic conditions is reputed to be of very high authority. For our part we prefer not to go outside such information as we can gather from its pages as to the prevailing conditions of agriculture in the principality, and even so space compels us to leave much more or less valuable information unnoticed.

Looking at the Report from this point of view, the first point which attracts notice is that in Wales, as in other parts of the country, the agricultural population is rapidly decreasing; the decrease between 1851 and 1891 being above thirty per cent. The number and variety of calculations provided are a trifle confusing. It appears, however, that on the whole the agricultural population of Wales is decreasing a few points per cent. faster in Wales than in England; and while a great part of the decrease is accounted for by a migration to the newly-developed coal-fields of Glamorgan and Denbighshire, a decided current may be detected from the more to the less mountainous parts of Wales and to England. The milk trade and drapery establishments seem to have attracted some 5,000 Welsh-born Londoners to their present homes, of whom Cardiganshire, the Bœotia of Wales, has contributed more than five per cent. of her total population. The figures as to foreign emigration are unfortunately too vague to supply any definite information on this interesting point.

Omitting copious disquisitions on many matters, some of them being of real importance, but most not, we come to Part III. dealing with occupation and occupiers and turning chiefly on the burning question of the amount of rents. It may safely be premised that nearly all Welsh agricultural tenancies are from year to year, and this fact invests fluctuations of rent with especial importance as a test of whether or not rents are on the whole excessive. The report deals with the point with some minuteness, unfortunately confusing the treatment of it to some extent by proving what nobody denies, namely, that the income tax assessment is a better guide to the rise and fall of rent than Poor Law valuations. The pith of the argument, however, may be extracted from the following figures showing the fall in triennial assessments since 1880 in Wales and nine selected English counties respectively:—

	1879	1882	1885	1888
	to	to	to	to
	1882	1885	1888	1893
Wales	1.3	1.5	3.06	1.5
English counties ...	4.1	3.7	6.9	3.6

From these figures it is argued that Welsh landlords have been less generous than English ones to their tenants since agricultural depression became acute. Waiving the question as to how far the nine selected English counties, Cheshire, Cumberland, Derbyshire, Lancashire, Staffordshire, Westmoreland, Northumberland, Durham and Yorkshire, treated apparently merely from their agricultural aspect, can be held to correspond to Wales, the important question is how far income tax assessments are really a true indication of agricultural rents. In favour of the claim of the assessments to be regarded as an index to the rent, it is urged that the Income Tax Commissioners have acted on a definite system for some thirty years, and that when the resulting figures have been tested at various intervals, they have satisfied their authors of their general correctness. The most important objections to their accuracy for the present purpose are that they take no account of improvements effected by the landlords, or of temporary abatements as contrasted to permanent reductions of rent, both of which have, it is alleged, been far more extensive in Wales than in England; that "lands" mentioned in Schedule A include many holdings which are not agricultural; that small Welsh freeholders do not pay income tax and have therefore no interest in reducing their assessments; that they have often bought at an unduly high figure and are assessed accordingly; and that the Welsh landlord before the Tithe Act often paid the tithe and added it to the rent. The first objection seems to be admitted; to the second the reply is that in the case say of a house near a town the land is assessed apart from the villa, which hardly seems conclusive; the next two points seem to be denied on good authority, while the last is not noticed and is probably of but little importance. On the whole it seems that the assessments do represent fairly accurately the fluctuations of rent in any district, but that the different conditions of various districts prevent any comparison between their assessments giving us any information of practical value. How far this is so may be seen by reading the late Mr. George Owen's correspondence with Mr. Gladstone, published in the Appendix to Mr. Vincent's book,¹ where, by a judicious but not unfair choice of English counties, the reduction of Welsh assessments may be made to appear well up to the English standard. If the question is to turn on such a rough performance as the addition of four or five English counties to the standard of comparison, it seems obvious that the comparative statistics are really of very little value. Treating the matter more directly the Report gives us a portentous mass of undigested evidence relating to the thirteen counties in order, and this is followed by equally diffuse "conclusions." From these we

¹ *The Land Question in North Wales*. By J. E. VINCENT. Longmans: 1896.

gather that rack-rents do not prevail on the larger inherited estates, that they are more nearly approached on purchased estates, that prevailing "land hunger" due to the unwillingness of the Welshman, particularly the monoglot Welshman, to leave his home, makes their exaction comparatively easy, and that relying on comparative income tax assessments the Commissioners consider that Welsh have risen faster and fallen slower than English rents.

Land hunger figures again largely in connection with the demand for fixity of tenure, a subject which is considered disjointedly in many parts of the Report. No very definite conclusions are given, though it is admitted that the Welsh tenant is usually anxious to pay an excessive price for security. How far this is avoidable under the circumstances, and how far it would be in the interests of would-be tenants to avoid it, the reader is left to gather from copious extracts of disputed testimony. For our part we would refer the reader to Mr. Vincent's ably marshalled figures, showing how strong is the tendency on the larger estates to make tenancies hereditary, in many cases for centuries.

Wales is essentially a country suitable for small holdings, but the difference between the average size of holdings in Wales as compared with English and Scotch holdings is not perhaps as marked as might be expected. In 1885, the last year for which official returns are given, we find that the average for Wales is 47 acres, for Scotland 61, and for England 66. It is probable, however, that the range of figures from which the averages are compiled is considerably less in Wales than in the other parts of the country. The following extracts from these tables give us a more detailed view of the situation. From Mr. Brodrick's tables, for which no date is given, but apparently it should be about 1876, we get the following list of owners:—

571 owners of above 1,000 acres.

1,224	„	between 1,000 and 300 acres.
2,932	„	300 and 100 acres.
17,289	„	100 and 1 acre.
35,592	„	under 1 acre.

The list of holders in 1875 is as follows:—

12 holders of above 1,000 acres.

90	„	between 1,000 and 500 acres.
486	„	500 and 300 acres.
7,975	„	300 and 100 acres.
10,375	„	100 and 50 acres.
43,403	„	under 50 acres,

and the number of holders under 300 acres increased considerably between 1875 and 1885 with a corresponding decrease in the larger holdings. From another list, compiled in 1889 for the Board of Agriculture, we learn that of a total of 48,732 holdings under 50 acres, 5,513 were occupied by their owners. These figures show a decided increase of small holders, but unfortunately a comparison between the first and third produces such a discrepancy that it is obvious either that

Mr. Brodrick counted the holders of the smallest holdings as owners, or that he took account of holdings which were not considered in 1889. There seems to be no reason to doubt the summarised opinion of the Commissioners that the proportion of holdings under one acre in Wales to those in England is about one to three; that the latter country also shows a higher proportion of holdings between one acre and five, that of holdings between five and a hundred acres Wales shows a much larger proportion, but that in holdings above 300 acres English holdings are proportionally to the Welsh as five to one. The position of the small holder is closely connected with that of the small freeholder, and the prosperity of this class of occupier therefore engaged a good deal of the attention of the Commission. In the seven eastern counties of Wales they came to the conclusion that they formed a comparatively unimportant factor in the agriculture of the country. In the western portion of the principality, however, the case is very different. Roughly speaking, the freeholders by inheritance are decreasing in number slightly, while those by purchase show a very considerable increase. The condition of the latter in the three south-western counties seems to be deplorable. They have in most cases purchased their holdings since 1867, when it is suggested their political value was materially diminished, and almost universally raised most of the purchase money by mortgage at about four per cent. Under these circumstances, with falling prices and a mortgagee in place of a landlord, their position is almost hopeless. Yet it seems that the interest on the mortgages is paid with exemplary punctuality. It is obvious that if this type of agriculturist is to be preserved, it must be by direct State aid. It is therefore proposed that five million pounds should be made available for advances on small freehold farms not exceeding £3,000, or three-fourths of the present value of the security, at three per cent. interest, to be repaid in yearly instalments during a period of from 30 to 60 years. The merits of this scheme are further developed in an interesting article in the *National Review* of January, by Mr. Morgan Richardson, whose suggestions in the matter it in fact embodies.

The actual recommendations of the Commissioners we take to be the least valuable part of the Report; partly because they are prefaced by somewhat involved and obscure discussions as to the theory of rent and so forth, partly because they lack any originality. The Agricultural Holdings Act is practically inoperative in Wales and might admittedly be amended so as to be a possibly useful measure. For the rest the County Court is to be erected into a Land Court, rents are to be fixed for five years by means of a fair rent assessed on a basis necessitating at least two blind guesses, the tenant is to have fixity of tenure, but freedom of sale is to be checked by a series of rules based on the assumption that the power of sale at all events, is not a necessary adjunct to fixity of tenure. To these must be added the loans to small freeholders mentioned above.

The economic value of these proposals we must leave to our readers' opinions; their political character fortunately does not concern us.

The ordinary reader will with reason shrink from the wilderness of verbiage and confusion in which the Report hides much that is of value: we are therefore pleased to be able to assure him that Mr. Lleufer Thomas's abbreviation of its contents is perfectly trustworthy, that the supplementary volume of Appendices, arranged we believe by the same gentleman, is exceedingly well arranged; and that if he cares to consult an avowedly partisan treatment of the same subject, Mr. Vincent's book contains much of value which cannot be found elsewhere.

H. L. STEPHEN

Report on Contracts given out by Public Authorities to Associations of Workmen. [C. 8233.]

THE reports which Mr. Schloss has prepared for the Labour Department should be studied in connection with his book on *Methods of Industrial Remuneration* and his article on the same subject in the *ECONOMIC JOURNAL* for 1892. The logical method which is pursued in this series might be described as *historical*, in that almost forgotten sense of the term suggested by J. S. Mill: indicating not a mere congeries of information, but an ordered knowledge of facts which may be explained, though they may not have been predicted. Thus the difference in the working of *Gain-sharing* and of *Profit-sharing*, shown in the reports on these subjects, had not been anticipated by book-taught theorists; and yet it is quite in keeping with sound theory. So the observation that the method of gain-sharing when applied to large groups proves less successful is quite in conformity with our knowledge of human nature.

For in a large group, such, for example, as a number of joiners working in a big shop, or partly in a shop, partly outside, or a number of riveters scattered about in different parts of a huge battleship, an efficient workman, not being able to see how his mates are working, and whether they are doing a fair share towards earning the joint bonus, feels no very powerful inclination to do his best in relation to his own particular job. (Report C. 7848, p. 112.)

The character of the report before us is similar. Theory had anticipated that it might be advantageous for public bodies to contract separately for materials and for the work to be done in them, the latter contract being given out to associated bodies of workmen. But in fact this particular method of breaking up contracts has been found to be almost non-existent, the only important instance being the action of the French Government in getting its *Journal Officiel* printed by a co-operative society of compositors while itself supplying paper, printing-press and premises. Mr. Schloss finds a good reason for the fact which he has observed:—

If any public authority, having bought a stock of leather, should determine to get some thousands of pairs of boots made up under arrangements of this nature, it would, in all probability, feel itself bound to protect the interests of the taxpayers by insisting, as a preliminary condition, that security to the value of the leather should be given up by the association tendering for the making-up of the boots. And yet would not a body of workmen possessing small means and little credit find it very difficult to give security to the extent of several thousand pounds? On the other hand, if a co-operative association were in a position to provide security for the value of the leather, then this society would equally be in a position to obtain the leather from a leather merchant, and not only would not require to have made in its favour the suggested special separation of contracts, but would, we may feel fairly sure, prefer to have no such separation, but to itself supply, and make its profit on the material.

But though Mr. Schloss has not found in large quantities the exact object he was directed to look for, the search has been rewarded with many valuable observations *in pari materia*. In New Zealand the earthworks performed by gangs of workmen—though not an example of breaking up contracts in so far as no materials have to be provided—illustrate the success of the co-operative system. One advantage is that the Government is able to postpone or urge on works according as exigencies may require with more elasticity than when dealing with a contractor. It was found difficult in practice to get fifty or sixty men to work harmoniously together, owing to differences, not only in the temperament of the men, but also in their abilities as workmen. Accordingly the parties now seldom exceed ten or twelve men, and they probably do not average much over six.

Italy might have been expected to present instances of the separation of contracts, since the arrangement is encouraged by special legislation. Yet no perfect specimen is found. However, associations of common labourers flourish. The *Operai-Braccianti* of Ravenna (p. 171), or those of Finale in Emilia, might be mentioned as typical instances. Some examples of co-operative piece-work after the pattern proposed by Mr. Herbert Spencer¹ occur. But the value of the experiment is diminished by the infusion of political motives; contracts are perhaps given to secure votes. We read (p. 230) that on the eve of elections the Government granted to a certain society a subvention (previously refused) of 50,000 lire (£2,000), "whereupon the society at once published a manifesto to the electors in favour of the Government." In the main, however, Italy presents many genuine instances of what Mr. Schloss in the final chapter of his book described as "Practicable Co-operation."

The Third Annual Report of the Labour Department of the Board of Trade (1895-96).

THE net result of all the changes of wages in 1895 upon those who experienced them was an average fall of 1s. 4½d. per week; exactly

¹ *Sociology*. Cf. ECONOMIC JOURNAL, vol. vi., p. 663.

the same as in 1894, except that in the earlier year the number affected by the change was greater. Of the changes in the hours of labour the net effect was a reduction of about two hours per week for the men affected by the change ; against four hours in 1894.

OBITUARY

MR. BERTRAM WODEHOUSE CURRIE

THE death of Mr. Bertram Wodehouse Currie, managing partner in the banking house of Glyn, Mills, Currie, & Co., deprives the banking community and the City generally of a man who occupied a foremost, if not a unique, position therein. He was conspicuous for decision of character, great mental activity, and practical insight. Descended from an old banking family, he was thoroughly versed in all the discussions and investigations by which our existing banking system has been gradually elaborated. The knowledge of principle thus gained was supplemented by the experience resulting from the daily management of the largest of private banks. Politically, he belonged rather to the school of philosophic radicals of the Bentham type than to parties of more recent date. Imbibing from J. S. Mill an intense love of personal liberty, he was individualistic in his mental attitude, and distrusted socialistic schemes and proposals for increased intervention of government. An uncompromising Free Trader, he viewed with suspicion all forms of Protection and Reciprocity. The development of the idea of Imperialism, with its doctrine of special tariffs and preferential rates, was regarded by him with marked disfavour. As a Liberal, and a follower of Mr. Gladstone, between whom and himself a sincere attachment existed, he supported the Home Rule Policy of his leader.

A prominent feature of Mr Currie's character was his prompt recognition of the altered condition of the times, and of the necessity for adapting existing institutions to new conditions. Thus, in 1885, he was the first to break away from the traditions of the private bankers, and reconstitute the bank with which he was associated, as a joint-stock bank with unlimited liability, and periodical publication of accounts.

At the time of the Baring crisis, Mr. Currie was selected by Mr. Lidderdale to ascertain, in concert with Mr. Buck Green, whether the firm was really solvent and might therefore be safely assisted. The arrangements by which the acceptances and liabilities were paid by the Bank of England, under a combined guarantee of the London bankers, were mainly the outcome of his cordial and influential support of the governor. Mr. Currie always maintained that the financial crisis which was the result of the collapse was insignificant, in comparison with the

commercial crisis which would have happened if Baring's acceptances, with their world-wide circulation, had been dishonoured.

Appointed in 1880, by the Duke of Devonshire, to the Indian Council, he addressed himself with his accustomed energy and insight to the problem of Indian administration. He quickly became an authority on the monetary business of the Council, and in many ways, notably in the reduction of the interest on the Debt, he left a permanent mark on the finances of the dependency. This appointment, moreover, brought him face to face with the grave and urgent questions which have resulted from the fall in the value of silver. He was a member of the Brussels Conference in 1892, and of Lord Herschel's Committee on the Indian Currency in 1893.

Mr. Currie was a convinced monometallist. The assertions constantly put forward by bimetallists that the fall in prices was due to the appreciation and scarcity of gold; that a falling exchange stimulated exports; and that the maintenance of a stable ratio between gold and silver was practicable, were, he contended, unsupported by adequate evidence.

At the Brussels Conference, in two short speeches, he succeeded in embodying the doctrines which as an economist he regarded as fundamental. "We are met here," he said, "to endeavour to raise the price of commodities. Such an object is entirely opposed to the economic doctrines which are accepted in the country from which I come. Cheap goods and not dear goods, plenty and not scarcity have always been held to be conditions of profitable trade. That the general fall in prices has been brought about by the scarcity of gold has never been proved, and such a theory, is in my opinion, at variance with the facts." "The disuse of silver," he argued, "has gradually arisen in obedience to the natural law of selection, by which progressive societies choose for themselves the methods best suited for their development. The wealth of a nation does not depend upon the gold and silver which it possesses. . . . The more prosperous and civilised a nation becomes, the less occasion has it to use the precious metals, and the smaller is the stock required for its transactions." Finally, he contended that "the world is not suffering from a penury of gold, but from the loss of its savings through hazardous investments; from exaggerated tariffs which delay and hamper trade; from heavy taxation; and from the many unproductive consumers of wealth."

As a member of the Indian Currency Committee, he reluctantly agreed to the proposed closing of the Indian Mint. The fact that India had become the only open market for the discarded silver of the world, and that no other remedy had been proposed or was attainable, was his justification for this course.

In one of the speeches above alluded to he touched upon the question of the Bank of England Reserve. "Whether that Bank," he said, "habitually hold a gold reserve sufficient for all emergencies, is a fair subject for debate. A larger stock might, perhaps, be provided

by other banking institutions, out of the large balances which stand to their credit in the Bank of England." The policy thus indicated was forcibly advocated by him in private conversation and in public correspondence at the time when Mr. Goschen's speech at Leeds, in January 1891, had drawn attention to the whole question of bankers' reserves. The key to the position is, of course, the recognition of the fact that the Bank of England, which was formerly the predominant holder of loanable capital, is now only one of many such holders, and not even the largest of them. It followed, in Mr. Currie's judgment, that the duty of maintaining an adequate bullion reserve, which was rightly imposed upon the Bank when the relative magnitude of its resources enabled it to control the market, now devolved upon all the large banks. Hence his contention that the latter should now keep a substantial bullion reserve in coin or bar gold, and that their published rate of discount should supersede the Bank of England rate, which is now an anachronism.

The formation of the Gold Standard Defence Association, for the maintenance of the existing standard, was mainly his work. He became its first President, and was untiring in his advocacy of the principles it inculcates.

In private life, Mr. Currie was conspicuous for charm of manner and conversational power. He was emphatically a man of cultivated taste. His appreciation of works of art was considerable, while his retentive memory and wide reading rendered his society at once fascinating and instructive.

A. S. HARVEY

SIR TRAVERS TWISS, who died last January, was born 1809, the son of a clergyman. Entering Oxford at the age of seventeen, he took honours in mathematics and classics. He was examiner in both subjects—a rare if not unparalleled combination—between 1835 and 1840. An abridgment of Niebuhr and an edition of Livy were among the fruits of his academic studies. In 1842 he was appointed to the Drummond Professorship of Political Economy, succeeding H. Merivale. Some of the lectures which he delivered in that capacity were published by him, viz., *On Certain Tests of a Thriving Population* (1845), and *View of the Progress of Political Economy in Europe since the Sixteenth Century* (1845)—a creditable exercise of large general powers which the attraction of a quinquennial chair had not sufficed to fix and specialise. The less fleeting Professorship of Civil Law was afterwards held by Twiss for many years.

DR. ERNST ENGEL, the famous German statistician, formerly director of the Royal Prussian Bureau of Statistics, died on the 8th of December last year, at the age of seventy-five. Born in Dresden he at first aimed

at a practical career. He visited technical schools and travelled in France and Belgium in glass-manufacturing districts with the intention of starting glass-works, but the political events of 1848 put an end to his plans and for some time we find the young civil engineer living as a publicist, or arranging an exhibition at Leipsig, till in 1850 he became the leader of the newly established Royal Saxon Bureau of Statistics. His training for this office was, as we have seen, a rather irregular one, but he took up his task with an energy and vivacity which fully justified his appointment, and the young bureau soon won a reputation among similar institutions in Europe. He did not confine himself to computing dry statistical tables. In his reports the prevailing element was the brilliant text full of striking comparisons and original ideas. Thus he hoped to realise what to him was an object of great importance, that the statistical data should reach the public as palpable facts illustrating the economic and social life of the population. But the time was not ripe for this evolution of statistics; the bureau was severely criticised in the first chamber of the Saxonian Landtag, Engel felt irritated and disappointed, and resigned his office in 1858. He now started a peculiar insurance institution, then unknown in Germany, a society for the insuring of mortgages (*Hypothekenversicherung*). It did not however prosper and soon left off operating. But a new career as a statistician opened for Engel. Dieterici, the chief of the Prussian statisticians, died in 1851, and the next year Engel was appointed as his successor. The period of twenty-two years during which he held this office is the most remarkable one in the history of Prussia, and the evolution of the statistical bureau was fully on a par with the great extension and increase of the political influence of the Kingdom. Out of a comparatively unknown and insignificant government office Engel created a strong impartial institution to which the public looked for instruction in all social and economic questions of the day, no matter whether the data published pointed in the same direction as the government politics or not. There was a freshness and even impetuosity in the work of the bureau which certainly did not agree with a stiff bureaucracy like that of Prussia, and sometimes caused its resistance, though in the long run Engel won the victory. But when the era of state-socialism was inaugurated Engel, with his liberal ideas, found himself in disagreement with the official policy, and in 1882 he retired from his office. Failing health may have had some influence on his retirement, but the common opinion ascribed it to Bismarck's disgust with his well-known liberal views. Engel took his abode near his birth-place, pursuing his studies with unweakened interest, but very much hindered by the absence of the accustomed assistance of mechanical or mental work with which his former position had provided him abundantly. The great key-stone of his life's work was to be a work on his favourite subject, the statistics of consumption, and shortly before his death part of it was published, dealing with the cost of living of Belgian working men in past and present times (*Die*

Lebenskosten Belgischer Arbeiter-Familien früher und jetzt, in the Bulletin de l'Institut international de Statistique 1895). Unfortunately it is a torso: probably it would prove very difficult to complete the work from the manuscripts and data which the author has left.

As the chief of the Prussian bureau and as editor of a statistical journal, to which he himself contributed largely, Engel had an important influence on the development of statistics. Still more stimulating was perhaps the "statistical seminary" which he founded in 1862 in connection with the bureau, where young men who aspired to a university career or prepared for the civil service had the opportunity of studying, theoretically and practically, under his guidance. It was at that time something unknown in Germany. Students of political economy and social science were mostly limited to dry and abstract lectures in the universities, without chances of coming into personal contact with their teachers; but here they found a teacher who brought positive facts from the producing and consuming society which surrounded them within their reach, and whose bright attractive personality inspired them with some of the enthusiasm which so much characterised himself. Several young men who after that time won a reputation as political economists have profited from his teaching, even if their own scientific education already by far surpassed their teacher's, men like Held, Knapp or Brentano. His lectures, desultory and informal as they were, full of anecdotes and *à propos*, were stimulating and fresh. But he had not strictly speaking a scientific mind. His ideas are often vague and unclear, and his results precipitate. His theory of the value of men manifests a want of mathematical thinking and needs extensive modifications, and in order to see that his investigations into the mortality and expectation of life in Prussia, especially in Berlin (1861-62) are not up to the level of mortality statistics of that time, we only need glancing at the contributions by his well-known contemporary W. Farr, whose English life-table appeared two years later. Engel operates in vain with the mean age at death and the mean age of the living population, and sees an advantage in a decrease of the former, or rather of the total number of years of age of the deceased in relation to the corresponding number for the living. It is easily seen that this *may* indicate an improvement in the conditions of the population as well as the *opposite*. Of more scientific value were Engel's contributions to the statistics of income and expenditure. Already in 1857 he arrived at the result that a family spends a greater proportion of its income in food, the poorer it is. This proposition has on the whole proved true, and it has at all events contributed to the progress of this branch of statistics by instigating others to profound investigations into this question.

Engel belonged to a generation of statisticians which has now nearly passed away. They were enthusiasts who believed in the magnificent future of their science, and were inclined to anticipate results of this brilliant future instead of trying to prove them by un-

tiring work in detail. A new generation has followed them, a prosaic race of men, with more scientific training and less imagination. It may be that they are sometimes unjust to their predecessors, judging them more from what they failed to do, than from what they really succeeded in doing. Among those men of the past generation Engel was one of the most prominent, and his faults were therefore quite naturally more conspicuous than those of others, but they do not over-shadow the real services which he has rendered to the study which he embraced with so great enthusiasm.

HARALD WESTERGAARD

GENERAL F. A. WALKER.

THE sudden death, from apoplexy, at Boston, on the 5th of January last, of General Francis Amasa Walker has removed from the economic world one of its most conspicuous and distinguished figures. His loss will be felt wherever economics is actively studied; but it will be felt especially by English students. For not merely had his writings obtained a wide circulation in this country, and exerted a marked influence on the main currents of thought, but he was also connected by ties of friendship with not a few English economists, who, by means of correspondence and intercourse, had enjoyed the privilege of adding to an appreciation of his published works, and of his valuable and constant service to the cause of economic progress, a warm personal affection for himself. It was impossible to be brought into contact with General Walker, whether by friendly letter, or by actual conversation, without conceiving a genuine and lasting admiration for his high character and his rare attractive qualities. It was impossible to know him without recognising how the vigour and alertness of the man of affairs, the zeal, enthusiasm and industry of the student, and the frank and sympathetic geniality of the social companion, combined to give him a position among economists which was in some respects unique. He occupied a place of peculiar importance; for he was able to command popular attention for what he said and wrote to an extent which few economists have rivalled, and none perhaps surpassed. Those who heard his address to the English Bimetallic League last summer would be the first to acknowledge his great powers of oral exposition, and those familiar only with his writings could not fail to observe that they were especially calculated to arrest the attention of the plain citizen. At a time when questions seem daily to be coming into greater prominence, on which Economics may expect to be waited on for an opinion, the loss, in the fulness of his powers, of an economist with the prestige and qualities of General Walker is peculiarly inopportune. He possessed in an eminent degree the courage of his opinions. He had formed them in the light of wide and careful economic study; and he was sure of attracting listeners not merely within, but outside, the comparatively narrow circle of the professed economist.

To the enjoyment of this high and peculiar reputation there can be little doubt that his varied experience of different walks of life, and of men and manners in different situations, largely contributed. The son of an economist, Amasa Walker, born at Boston in 1840, and educated at Amherst College, he first entered the legal profession, and then, at the outbreak of the war between the North and the South, he enlisted, saw active service, was wounded and imprisoned, and retired with the rank of Brigadier-General. He was appointed by President Grant to be chief of the Bureau of Statistics, and was subsequently made Superintendent of the Census of 1870. In 1872 he was elected Professor of Political Economy and History at Yale; in 1880 he was again made Superintendent of the American Census, and in 1881 he was chosen for the Presidency of the Massachusetts Institute of Technology—an office which he was occupying at his death, and to the discharge of the duties of which he brought an energy and wisdom which made the Institution an assured success, and resulted in a large extension of its original scale. He also held temporary appointments, and lectured on Political Economy, in the Universities of Harvard and Johns Hopkins; he was President of the American Economic and Statistical Associations; he had, as Commissioner, represented the United States at the Paris International Monetary Conference in 1878, and it was currently reported, at the moment of his death, that he was about to accompany Senator Wolcott to Europe on an informal mission connected with that same currency question. He was an Honorary Fellow of our own Statistical Society, a correspondent of the Institute of France, and only last year had received an honorary degree from the University of Edinburgh, while a similar distinction was conferred upon him by the University of Dublin at the Tercentenary celebration of a few years ago.

Besides his economic writings he had published a history of that Second Army Corps, with which he served during the Civil War; and the present writer may be allowed here to recall how, reviewing that book many years ago, he was led, from lack of the knowledge of military science required to do justice to General Walker's narrative, to dwell on the reappearance, as he fancied, in its pages of the qualities which had won distinction for the economic professor. It is now, perhaps, permissible to reverse the process, and to observe that the military experience of the general may have inspired the professor with the unflinching courage and confident enthusiasm with which he faced opponents in economic controversy, and have implanted a habit of using that plain but forcible language, and those vivid but homely illustrations, which are characteristic of his economic writing. The professor certainly endeavours to direct, and keep directed, his attention to the main points at issue; and it was impossible to mistake the quarter in which his sympathies were enlisted, or to attribute to him, however courteous he might be, any lack of candour in opposition, or any weak desire to spare opponents all that they deserved. In addition to his *History of the Second Army Corps* General Walker

published in 1895 a volume entitled *The Making of the Nation, 1783-1817*, which formed part of a series of books on American history. His economic writings consist of his well-known volume on the *Wages Question*, his treatise on *Money*, his shorter treatise on *Money in its Relations to Trade and Industry*, a little book on *Land and its Rent*, a general text-book on Political Economy published in different forms of varying size under the titles, *Political Economy*, a *Brief Political Economy*, and *First Lessons in Political Economy*, which has been adopted as a text-book in the examinations of one English University, and a book, published only last year, on *International Bimetallism*. To these books must be added constant contributions to periodicals, and valuable work in connection with the two American censuses, of which he was superintendent.

The most prominent characteristic of his work, as of his life, was its manysidedness. He was distinguished alike as statistician and economist; and it is generally admitted that his official connection with the American Census resulted in a marked improvement in the scientific value of that governmental act. Within the more limited sphere of economics proper he had written on money, on wages, and on rent, besides compiling a general text-book. And he brought to his professorial work the vivid experience of a military campaign, and a keen interest in affairs. For this reason he knew the arguments, which would appeal most forcibly to the plain man, and was aware of the difficulties which he ordinarily encountered. To more exclusively academic minds he may sometimes have seemed to fail to appreciate, or perhaps to grasp, the subtler refinements of some abstract reasoning. Occasionally he may have appeared to push a favourite doctrine to an extreme which could only be justified by some neglect or under-estimate of opposing considerations. He may now and then have interested himself so exclusively with the distinctive treatment of separate parts of a whole that he did not exhibit with sufficient definiteness and comprehension the unity of the whole itself. His doctrine of the analogy of profits to rent, and his theory of wages as the residual share of distribution, to which he adhered to the last, and in a letter to the present writer, written shortly before his death, stated that his conviction of their truth had continually grown stronger, are instances of the characteristics on which we have been dwelling. But on the other hand his argument was uniformly vigorous, his language was invariably plain, his illustrations never failed to be vivid: and the ordinary man, bewildered by the niceties of more subtle theorists, and confused by the abstractions of less concrete economists, opened General Walker's books, perhaps with hesitation, became interested, in spite of himself, by their unconventional phraseology and obvious candour and enthusiasm, and found to his surprise that he had been beguiled into reading an economic argument, without discovering a resemblance to what he had previously fancied must be dry and difficult. It was this power of enlisting and retaining the attention of the plain man that

enabled General Walker to acquire an influence in unfamiliar regions, and it is for this reason especially that his loss will be sorely felt at the present moment. He might not perhaps have added much more to the development of economic theory, or made any further considerable contribution to economic speculation in directions which are now coming into greater favour, but he would have continued to command the public attention for economic teaching, and have expounded economic truth on vexed questions with authority.

Nor indeed was his actual economic achievement, regarded from the merely professorial point of view, other than remarkable. His book on the *Wages Question* undoubtedly contributed in no small measure to an important revolution in economic theory—perhaps the most important which the present generation has witnessed. The theory of wages, which he himself propounded, although, as we have remarked, he never lost his faith in its validity, may not have commanded the general assent of the economic world, and later reflection may have suggested some modifications in the criticism of that older theory, which he contributed to overthrow. But of the potent influence of that criticism on the general course of economic speculation no doubt can be entertained; and not a little of his analysis of distribution has since taken its place as accepted truism. It is to his writing, combined with that of Bagehot, that the conception formed by the English student of the place and functions of the employer in modern industrial economics is largely due: and on that account his *Wages Question*, if we may venture to anticipate the judgment of posterity, promises to attain the rare dignity of an economic classic. His *Political Economy* does not seem, we must confess, to be a wholly-satisfactory text-book, to write which indeed is a task of supreme difficulty. It bears evident marks, as we think, of compilation from material primarily collected for the separate treatment of subordinate departments of the subject, and does not produce on our mind the impression of a consistent, comprehensive whole. The sections, however, at the end of the volume on various practical questions of the day are very characteristic of the author—of his keen and constant interest in affairs, and his rare qualities of attractive exposition. The stronger parts of the main body of the book appear to us to be the sections dealing with money; and these are in essence a summary of the special treatises which he had written previously. Of these treatises that on *Money in its Relations to Trade and Industry* contains within a comparatively brief compass a compact body of authoritative information and a convenient and judicial summary of controversial argument. As we have recently noticed in this journal, his latest book—that on *International Bimetallism*, published only last year—is to some extent a reproduction of the matter of his earlier work. It is thoroughly characteristic of the author, of his military ardour, of the intensity of his convictions, of his courage and plainness of exposition, and yet of careful discrimination between what is, and what is not, in his opinion, scientifically proven, or prac-

tically possible. He has been removed in the very thick of the combat ; and the tribute of respect paid to him by his own countrymen will find an echo among opponents, no less than those in agreement with him on this particular question, in many other countries. In none has his name been held in higher honour, or will the sorrow at his untimely decease be more intense and genuine, than in our own.

L. L. PRICE

CURRENT TOPICS

THE Annual Meeting and Dinner of the British Economic Association will be held on the 24th inst., the meeting at 9, Adelphi Terrace at 6 p.m., the dinner at the Westminster Palace Hotel at 7.30 p.m. Dr. N. G. Pierson, whose contributions to the *ECONOMIC JOURNAL* will be remembered by our readers, is to be the guest of the evening.

THE British Empire League was inaugurated at a meeting held under the presidency of the Lord Mayor last December, on which occasion the Duke of Devonshire said—

Probably we must admit that the time is not yet ripe for the discussion either of the commercial proposals which were made at the conference at Ottawa or of that other proposal which Lord Ripon and Mr. Chamberlain suggested might properly become a subject of discussion between ourselves and the colonies. But, although the time may not be ripe for the discussion of such large questions as these, there must be many points connected with this great subject on which it is possible that those who are carrying on the trade between England and her colonies might be capable of making suggestions which would lead to a better understanding between our Government and colonial Governments upon many matters affecting their and our commercial interests ; and it might be possible—I think it would be possible—for the merchants of London, for those who are engaged in the trade of London and the colonies, to make suggestions of an informal character through the agency of such an association as this which would pave the way for the formation of such a better understanding, and it might be possible then to collect materials which would form the basis of discussion and another conference which might be held on the subject.

Sir C. Tupper, observing that our self-governing colonies took of British products 51s. 8d. a head, whereas the United States took only 6s., and Germany only 7s. 2d. a head, professed himself an advocate of preferential duties ; but “ their platform was wide enough to sustain both protectionists and free-traders.”

THE experiment of lowering—not abolishing—second class fares, which is being tried by the London and South Western Railway appears to be crowned with success. Up to last May the fares have

been, on an average, third class 1*d.*, second class 1½*d.*, first class 2*d.* At that date the second class fares were reduced by 25 per cent. at the suggestion of Sir Charles Scotter, the general manager, who argued that if the second class fares were only a little more than the third there are plenty of people who would pay the difference "for the sake of a little more select company and a little more respectability." During the following seven months the number of second class passengers increased by nearly 100,000, the receipts by over £16,000; without any falling off in the first class traffic.

THE terrible drought which has prevailed in South Australia painfully illustrates Ricardo's remark that "as long as society is constituted as it now is, . . . abundance will often be injurious to producers, and scarcity beneficial to them." In districts where the harvest is only moderately bad the farmer is better off than last year. Supposing, for example, the case of a farm which averaged nine bushels per acre last year, and only six bushels this year. Owing to the rise in prices and the addition of freight cost (for South Australia is importing corn), a home-grown bushel brings the South Australian farmer no less than 6*s.*, as compared with 2*s.* 6*d.* in the winter of 1895-6. Thus for the six bushels per acre he is able to get 36*s.* this year, and is far better off than with his nine-bushel crop of last year, for which he could only get 22*s.* 6*d.* per acre. Owing, therefore, to the curious economic conditions, a comparatively moderate rise of price in London actually gives a bushel of corn in South Australia more than double its old value.

THE Commissioners appointed to inquire into the conditions and prospects of the West India sugar-growing islands are General Sir H. W. Norman (Chairman), Sir Edward Grey, Bart, M.P., and Sir David Barbour.

THE following are the terms of reference for the Royal Commission on the incidence of local taxation—

To inquire into the present system under which taxation is raised for local purposes, and report whether and how far all kinds of real and personal property contribute equitably to such taxation: and, if not, what alterations in the law are desirable in order to secure that result.

Among the Commissioners are Lord Balfour of Burleigh (Chairman), Sir E. W. Hamilton, Sir Alfred Milner, and T. H. Elliott, Esq.

At the London School of Economics Mr. Sidney Webb will give a course of lectures in the summer term on the theory of Trade Unionism. The theory of a wage-fund, the effect of a rise in wages

upon the increase of population, the result of Trade Unionism upon production are among the interesting topics announced.

THE subject of the Newinarch lectures which Mr. Bowley will give at University College next term is *The Accuracy of Statistical Measurement*.

PROFESSOR M. WEBER has been translated from the chair of Political Economy at Freiburg in Baden to the University of Heidelberg, where he succeeds Knies.

THE recent memorandum of Sir Courtenay Boyle makes very instructive comparisons of the growth of foreign trade relatively to population in different countries. It appears from this point of view that even the great growth of the American exports has recently lagged behind the growth of population. Our own trade shows well in the comparison, and in magnitude considerably exceeds that of any of the countries with which it is compared. The memorandum gives in detail a considerable part of the figures which are summarised by Mr. Flux elsewhere in this number of the JOURNAL, and comparisons are instituted on a different basis, especially in regard to selection of dates for comparison with those of our contributor. The carefully summed-up conclusions with which Sir Courtenay Boyle ends his memorandum deserve very attentive consideration, and not least the last which is as follows:—

“What the Government can do is to facilitate the supply of accurate and carefully collected information, and in the discharge of this duty I venture to think we are somewhat behindhand.”

THE now-published returns of the French Census taken last year confirmed what had already transpired, that the increase of population has been very slight, from 38,342,948 to 38,517,975 in five years. The increase may appear rather less insignificant, if account is taken of the emigration to Algiers, and of the fact that to evade taxation some householders and some municipalities return numbers less than the real ones.

RECENT PERIODICALS AND NEW BOOKS

Journal of the Royal Statistical Society.

January, 1897.

On some Developments of Statistical Research and Methods During Recent Years. The Inaugural address of JOHN BIDDULPH MARTIN, President.

Address to the Economic Science and Statistics Section of the British Association. RIGHT HON. LEONARD COURTNEY.

Distribution and incidence of Rates and Taxes. G. H. BLUNDEN.

The Economic Review.

October, 1896.

Are Trade-Unions Benefit Societies? SIDNEY and BEATRICE WEBB. Out-of-work pay forms a "mutual insurance" by which members of a union are supported in leaving one by one, without a formal strike, an employer who refuses the regulation rate. This "strike in detail" is a potent weapon, but an imperfect one, as not admitting discussion with the employed.

The Agricultural Rates Act. . . . RUSSELL M. GARNIER. *The Ethics of Socialism.* REV. CANON HICKS. *Friendly Societies.* J. M. LUDLOW. *The Co-operative Alliance at Work.* H. W. WOLFF. *Patriotism and Protection.* G. FIAMINGO.

January, 1897.

The Ethics of Gambling. HON. and REV. E. LYTTELTON. *The Agricultural Labourer Past and Present.* MARGARET PHILLIMORE. *The Charity Organisation System of to-day.* C. H. D'E. LEPPINGTON.

The Drapery Trade. A MANAGER. A darkly coloured account of the conditions under which a draper's assistant lives and works—wages, food, hours and other incidents. The commercial morality in the trade is low—lower than mere policy would prescribe.

Moral Limitations of State Interference. E. F. B. FELL.

Mr. Cannan's account of *Legislation and Official Returns* contains a graphic representation of the way in which the property on which estate duty was paid during the year 1895-6 (C 8226) was distributed

between the different classes created by the Finance Act of 1894. There were eight millionaires, sixteen demi-millionaires, thirty-nine quarter-millionaires, and so on. Referring to the Financial Relations between England and Ireland, Mr. Cannan asks "whether relative capacity to bear taxation is the proper basis of the distribution of taxes." It does not coincide with the rule of getting the required money with a minimum of suffering.?

The Nineteenth Century.

January, 1897.

The Recent Presidential Election. RIGHT HON. L. H. COURTNEY, M.P. The satisfaction caused by the result of the election is not justified by the distinction between international Bimetallism advocated by Mr. McKinley and the Bimetallism within the Union advocated by Mr. Bryan. Free silver is but a recurrence to the arrangement existing up to 1873. Later contracts have been made with a full knowledge of, and often with provisions against, the possibility that Congress might remonetise silver. The consequence of Mr. Bryan's election would probably have been a considerable rise in the value of silver with a fall in that of gold (in relation to commodities). But the old ratio 16 : 1 would probably not have been reached; there would remain a premium on gold hampering international transactions. That premium measures the difference between the two bimetallic programmes. With respect to Protection, the Income Tax, and other issues, the balance is not more decidedly against Mr. Bryan.

February.

Law and the Laundries.—(1) *Commercial Laundries.* HELEN BOSANQUET, LOUISE CREIGHTON, BEATRICE WEBB. The differences between the law of 1895 respecting laundries and ordinary factory legislation are unjustifiable. (2) *Laundries in Religious Houses.* LADY FREDERICK CAVENDISH.

The *Edinburgh Review* contains a particularly candid article on the *Financial Relations of Great Britain and Ireland* by a Unionist. The writer admits that the increase of Irish taxation in the fifties was "not only singularly inopportune, but, having regard to the circumstances of the time, really unjust." He finds it "difficult at this time of day to deny Ireland's right to have her financial position as a separate country examined." The fundamental question is whether it is right to deduct expenditure for Irish purposes. If not, the only remedy can be a reduction of taxation; for, *ex hypothesi*, no application of Imperial revenue to Irish purposes can be taken account of. Grant that three-quarters of a million may be deducted under the head of police or wasteful Law Charges, there remains Irish expenditure, nearly £5,000,000. Ireland separate would not do so well. The taxation not touching necessities is not intolerable. The "economic drain" is not due to taxation. In short, Ireland has a claim, not as a creditor nation, but as a poor district.

The National Review.

The Overtaxation of Ireland. RIGHT HON. O'CONNOR DON (Chairman of the Financial Relations Commission).

Referring to the five points on which the Commissioners were unanimous, the writer defends the first, the recognition of "separate entities," by recalling the circumstances under which the Commission was appointed. It is only with respect to the last point that there has arisen a serious difference between the Commissioners: namely, whether the excessive contribution admitted by all is counterbalanced by expenditure out of Imperial Exchequer on Ireland. It is maintained that "the preservation of order, the administration of justice, . . . are all purposes of an Imperial character, in which the whole of the United Kingdom is interested"—

"From a Unionist point of view nothing can be more dangerous than the division of Imperial expenditure according to the countries in which it takes place. A stronger argument in favour of Home Rule could not be adduced. . . . This will appear more clearly, if, instead of treating the expenditure as a set off, we regard it as an expenditure for which a local rate might fairly be levied. . . . it would be impossible to resist the demand for local control."

Bimetallism in Europe.—(1) *France.* E. D'ARTOIS.—(2) *Germany.* DR. OTTO ARENDT.—(3) *Great Britain.* LORD ALDENHAM.

The *Bimetallist* for December, 1896, contains a report of the late President Walker's last great speech, the address on "International Bimetallism," delivered on November 7, 1896, at the dinner of the Massachusetts' Schoolmasters' Association.

The Quarterly Journal of Economics (Boston).

January, 1897.

The Old Generation of Economists and the New. ALFRED MARSHALL.

"Never again will a Mrs. Trimmer, a Mrs. Marcet, or a Miss Martineau earn a goodly reputation by throwing them [economic principles] into the form of a catechism, or of simple tales, by aid of which any intelligent governess might make clear to the children nestling around her where lies the economic truth."

Yet we have learnt that the old generation of economists

"were true seers, with careful habits of observation; and that what they meant to say was for the greater part true within its limits, but yet that what they said does not always fully suggest to us what was in their own minds, until we have supplied the latent premises which they instinctively took for granted."

Much valuable advice is given to the new generation; *e.g.*, to be critical of "fashionable prophecies," for instance, that collective bargaining is about to displace bargaining between individuals, as the main arbiter of distribution and exchange.

"You will need to look at history—to watch the vast network of by-paths by which, when one person is willing to sell a thing at a price which another is willing to pay for it, the two manage to come together in spite of prohibitions of King or Parliament, or of a Trust or Trade-Union."

Another instance of the difficulty of prophesying is the tendency of large businesses under a salaried manager to bureaucratic routine.

Perhaps the modern intercourse of expert officials may foster improvements ;

' bringing into the business world some part of that great progressive force, which pure science has long derived from the approbation which successful research receives from audiences fit though few.'

Perhaps the generous force of sympathy and association will extend to other parts of industry.

Currency Discussion in Massachusetts in the Eighteenth Century. A. McFARLAND DAVIS.

The history is continued from 1730. The most important writings evoked by the discussion were those of Douglas and Hutchinson.

A Forerunner of Böhm-Bawerk. C. W. MIXTER. John Rae's *New Principles of Political Economy*, 1834, contains a theory of capital which, in some respects, compares favourably with that of Böhm-Bawerk. The relation of invention to accumulation is particularly well stated by Rae. Why did Mill not notice Rae's doctrine that where the arts are progressing there is no danger of accumulation failing? Even his incidental doctrines on taxation, division of labour, &c., repay attention. His main contention was in favour of Protectionism.

Social and Economic Legislation of the States in 1896. WILLIAM B. SHAW. *Some Recent Books on Local Taxation.* E. R. A. SELIGMAN.

Political Science Quarterly.

January, 1897.

Trade-Union Democracy: II. SIDNEY and BEATRICE WEBB. A sequel of great political interest.

Annals of American Academy for Political Science.

November, 1896.

Relation of Sociology to Psychology. S. N. PATTEN. *Postal Saving Banks.* E. T. HEYN. *Values Positive and Relative.* W. G. L. TAYLOR. *Current Transportation Topics.* E. R. JOHNSON.

The Yale Review.

February, 1897.

The Tax Inquisitor System. E. A. ANGELL. The methods of enforcing the general property tax in the State of Ohio have proved not only hateful, but futile.

The Currency of China. WILLARD FISHER. A very entertaining chapter in monetary history beginning some centuries before the Christian era

In the *International Review* Mr. Charles Devas pleads for *The Restoration of Economics to Ethics*; citing as favourable to his cause the precepts of Mr. Keynes and the example of Professor Nicholson.

Journal des Économistes.

December, 1896.

Le Mécanisme naturel de la Production et la Distribution des Richesses.—MOLINARI. [An optimistic study directed against the Socialists.]—*Les Censuses des États-Unis d'Amérique.*—*Le Mouvement scientifique et industriel.*—*Revue de l'Académie des Sciences, Morales et Politiques.*—*Le Meeting annuel du "Cobden Club."*—*La Kilometrie.*

January, 1897.

L'Année 1896.—*Le marché Financier en 1896.*—*Étude sur le Commerce international comparé.*—YVES GUYOT. [Worthy of the author.]—*Le Canal des deux Mers.*—*Mouvement colonial.*—*Revue des Publications économiques de l'Étranger.*—*La Répartition de la Richesse en France.*

February, 1897.

La Production des Compagnies françaises et américaines d'Assurances sur la Vie.—*Comment périclite une marine Marchande?*—*Mouvement agricole.*—*Revue des principales Publications économiques en Langue française.*—*La Cruauté envers les Faibles.*—*L'Émigration.*

Revue d'Économie Politique.

December, 1896.

The editorial committee (Comité de Rédaction) refer with modest satisfaction to the completion of ten years of useful existence. Their programme of impartial science has been adopted by younger sisters, in particular "la grande revue anglaise ECONOMIC JOURNAL."

Vues et Aspirations Économiques en Russie. V. DE SVIATLOSWKI. *Le Logement du Pauvre à Londres.* E. DIXON. [An accurate study in "Slums."] *Le Mouvement Sociale Évangélique en Allemagne.* L. DUCHESNE.

January, 1897.

Pourquoi n'y a-t-il des Hobereaux en Vieille Bavière? L. BRENTANO. *Le Mouvement Ouvrier en Australasie.* ANTON BERTRAM. *Les instruments Monographiques d'Observation.* PIERRE DU MAROUSSEM.

February.

L'Inspection de l'Industrie en Autriche. L. DUCHESNE. *L'Histoire du Trade-unionisme.* E. MAHAİM. [An exposition of the "magistral" work of Mr. and Mrs. Webb.] *La Loi sur l'Assistance médicale gratuite.* A. D. BAUCÉL. *La Monnaie et la Mesure des Valeurs.* MARCEL MOUGIN.

MM. GIDE and LAMBERT, in a note on the proposed alcohol monopoly, ask who is to pay the additional milliard which is expected to be yielded—the producer, the middleman, or the consumer; the second, in the opinion of the writers. They put also this dilemma. Either the new alcohol will be worse or better than the old. The Treasury will suffer in the former case; in the latter, temperance.

Jahrbücher für Nationalökonomie und Statistik (Jena).

November 1896.

Die rechtliche Behandlung der Arbeit. W. ENDEMANN. *Gut und Leibeigenthum in Lippe seit Ausgang des Mittelalters.* WILHELM MEYER.

Eine erwidern. F. Y. EDGEWORTH.

A rejoinder to Prof. Bortkevitch's renewed criticisms of the *Methods of Statistics* [published in the *Journal of the Statistical Society*, 1885.]

The *Miscellanies* contain a review of Miss Collett's "Report on Female Industry." By GERTRUDE DYRENFURTH.

December.

Zum entwurf eines Handelsgesetzbücher von 1896. DR. LASTIG. *Die Schweizerische Bundesbank.* H. HARTUNG. *Das Oldenburgische Staatsvermögen.* P. KOLLMANN.

The *Miscellanies* contain several interesting studies: on the Hungarian Finances since 1867, by DR. MANDELLO; on the Alteration in the Russian Occupation Statistics, since 1882, by BERGMEISTER ENGEL; on the price of Bread in Berlin, during 1896; and others.

February 1.

Die Statistik in der alten Geschichte. OTTO SEECH. *Der preis als Selbständige kategorie.* O. VON GÖMÖRY. *Die Gehälter der Universitäts-professoren.* LUDWIG ELSTER. *Der Bankzins als regulator der Warenpreise.* KNUT WICKSELL. *Sterblichkeit der Säuglinge.* F. v. P. KER MAUNER.

Finanz-archiv (Stuttgart).

13^{er} Jahrgang, 2^{er} Band.

Die Stellung der Gebühr im Abgabensystem, by Dr. O. EHLERS, examines the history of fees and the different theories as to their proper place in the revenue system. A special section deals with the position of fees under the Prussian legislation respecting local finance.

Das deutsche System der Kontingentierung des Notenumlaufs, by K. HELFFERICH, gives an account of the regulations as to note issues in Germany.

Besides the usual documents on financial legislation, actual or proposed, amongst which may be mentioned an account of the English Finance Act of 1896, there is an interesting study of the public finances of Mexico.

The *Deutsche Juristen Zeitung* for February, 1897, contains an article by Prof. Cohn on the Stock Exchange (Börse) with reference to the recent legislation.

In *De Economist*, "P.," whose identity is not hard to guess, reviews Dr. Hollander's edition of the "Letters of David Ricardo to J. R. McCulloch" (1895). He humorously distinguishes two Ricardos, the historical Ricardo who died in 1823 and the Ricardo of fiction, "alas not yet dead," from whom Marx sprang. He makes some very acute criticisms on the doctrines of the actual Ricardo.

In *La Administración* (Madrid) for December 1896 and January 1897, the *Cuban problem* is continued and concluded (with proposals for reform), by WALDO YNSUA.

La Riforma Sociale, edited by FRANCESCO NITTI and LUIGI ROUX, which has flourished as a fortnightly since 1894 will henceforward appear on the 15th of every month. Prof. Achille Loria inaugurates the new series by an important article on *Progressive Taxation*.

Giornale degli Economisti.

December, 1896.

Calcolo della rata media. L. RAMELLI. *Lo sviluppo della rete ferroviaria degli Stati Uniti.* L. BARBERIS. *Di alcuni punti oscuri della demografia.* R. BENINI. *Industria armentizia e imposte.* F. COLLETTI.

January, 1897.

Beneficienza e terre incolte. C. MARUCCI. *Aggiunta allo studio sulla curva delle entrate (V. PARETO).* A successful application of the income-curve (described in the *Economic Journal*, vol. vii. p. 666) to several sets of statistics given in Neymarek's study on *Le Morcellement des Valeurs mobilières*.

Lo sviluppo della rete ferroviaria degli Stati Uniti. L. BARBERIS.

Suicidi et fallimenti. E. P. DE VECCE.

February.

Della base economica della moneta. A. CONTINO. *Lo sviluppo della rete ferroviaria degli Stati Uniti.* L. BARBERIS.

NEW BOOKS.

DUNCKLEY (H.). Richard Cobden and the Jubilee of Free Trade. London : Fisher Unwin. 8vo, pp. 246. 3s. 6d.

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ANNALES DE LA SOCIÉTÉ D'ÉCONOMIE POLITIQUE, publiées sous la direction de Alph. Courtois, secrétaire perpétuel. (1846-1887.) Paris: Guillaumin. 16 vols. 8s. (1889-96).

[The publication of these 16 volumes of Debates, comprising an alphabetical index, has recently been completed. A certain number of sets have been reserved for sale.]

BERTILLON (DR. JACQUES, chef des Travaux statistiques de la Ville de Paris, Membre du Conseil supérieur de statistique, etc.) Cours élémentaire de Statistique administrative: Élaboration des Statistiques—Organisation des Bureaux de Statistique—Élément de Démographie.

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[To monometallism and bimetalism based on a fixed ratio between both metals, both of which the author considers impossible to realise under present circumstances in France, he opposes the system of two constant and independent metallic unities; the *louis d'or* and the *franc argent*, the ratio being only legally fixed for small payments, and even this restricted ratio being, when necessary, made revisable by law.]

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[A series of reviews and lectures on social subjects, such as the actual conditions of the working classes in England and Austria, Alcoholism, the depopulation of France and Agrarian Socialism. The first is a report presented to the *Académie des Sciences Morales et Politiques* on Messrs. Booth, Higgs and Aves' *Family Budgets*.]

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[A very full and interesting history of French *crafts*, based on long and extensive researches in records and mainly presented from the juridical standpoint.]

MOLINARI (G. DE). La Viriculture. Paris: Guillaumin et Cie. 1897. Pp. ii. and 253.

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NITTI (F.). La Population et le Système Social. Translated, with preface by R. Worms. Paris: Giard & Brière. 8vo, pp. 276. 5 fr.

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POSADA (A.). Théories Modernes sur les Origines de la Famille, de la Société, et de l'État. Translated from the Spanish, with preface by R. Worms. Paris: Giard & Brière. 8vo, pp. 148. 4 fr.

QUESNAY ET LA PHYSIOCRATIE. Paris: Guillaumin et Cie. (*Petite Bibliothèque Économique*.) Pp. lxxix. and 98.

[A poor introduction, by M. Yves Guyot, is followed by the *Analyse du Tableau économique*, the *Maximes générales du Gouvernement économique* and selections from the *Droit Naturel*.]

SAY (LÉON). Finances Publiques et Liberté du Commerce. Paris: Guillaumin et Cie. (*Petite Bibliothèque Économique*.) 1897. Pp. xlv. and 279.

[Beginning with an introduction by M. J. Chailley Bert, this volume comprises a Paper on Book-keeping under the system of double entry, extracts from Léon Say's Report on the Payment of the War Indemnity and his speeches on the Budget of 1883, the Creation of the French 3 per cent. terminable Consols and the present Tariff of Custom Duties (1891). A full bibliography of Léon Say's writings and speeches is annexed.]

VAZEILLE (DR. A.). La Question sociale est une Question de Méthode. Paris: Giard et Briere. 8vo, pp. 94.

VON BUCH (LEO). Über die Elemente der Politischen Ökonomie, Erster Teil—Intensität der Arbeit, Wert und Preis der Waren. Leipsic: Duncker und Humblot. London: Williams and Norgate. 1896. Pp. 240. 4s.

[The efficiency of labour varies in a direct ratio with the magnitude of the share taken by the workman in the product and in an inverse ratio with the length of the working day. Marx's theory of value is criticised in the light of this view.]

FISK (DR. GEORGE M.). Deutschland und den Vereingten Staaten von America. 8vo, pp. 254.

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STAMMHAMMER (J.). Bibliographie der Social-Politik. Jena: Fischer. 8vo, pp. 652. 18 m.

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THURNEYSEN (FRITZ). Das Münchener Schreinergerwerbe. 8vo, pp. 163. Stuttgart: J. G. Cottaschen Buchhandlung.

ZIMMERMANN (A.). Die Kolonial-politik Portugals und Spaniens von der Anfängen bis zur Gegenwart. [Band I. of Die europäischen Kolonien.] Berlin: Mittler & Sohn. 8vo, pp. 531. 10 m.

VOLTA (RICARDO DALLA). I contributi speciali per i lavori di miglitoria. Florence: Bocca. Pp. 68.

MIKLASHEVSKY (PROFESSOR ALEXANDER). Realism and Idealism in Political Economy. Inaugural Lecture at the Imperial University of Dorpat, 18th September [O. S.], 1896. Pp. 27. Dorpat: 1896.

[A statement of the Professor's general attitude towards the conflicting schools. Accepting the definition of political economy as the study of the laws and conditions of the economic life of nations, he reconciles realism and idealism by adopting the position of the more moderate of the Historical Economists. He recognises that much is sound in the classical theories. He would not destroy but fulfil.]

THE ECONOMIC JOURNAL

JUNE, 1897

AGRARIAN REFORM IN PRUSSIA

PART II.

(Continued from p. 20).

It stands to reason that a law which introduced such far-reaching innovations as that of June 27, 1890, would need many years before one can speak of its success or failure as such. Nevertheless Dr. Miquel had scarcely become Minister of Finance before it was affirmed that the act of 1890 had been without result. And, indeed, the reason is clear. The squirearchy were creating no rented holdings, because mere rent was of no use to them. They were deeply in debt; they wanted money. On the other hand those who wanted to buy a peasant holding were not able to pay its capital value instead of rent. Therefore it was necessary to go a step further.

Consequently a new Act was passed, the Act of July 7, 1891, which placed at the disposal of landowners and purchasers of rented holdings, the public credit, and the working power of the Agricultural Government Board, on condition that only holdings of "small or medium area" should be created.

To carry out the Act of Commutation of March 2, 1850, rent-banks had been started in every province with the exception of the Rheinprovinz, where, in consequence of French agrarian legislation, none were needed. Their function was to draw up rent schedules on behalf of those landlords who were entitled to draw feudal dues, stating the capital value of the latter. The peasants owing these dues, on being served with the writs, had to pay their rent, together with a contribution towards commutation, into the bank. In this way the banks were to bring about the abolition of the old feudal burdens. This task they had just fulfilled. As it happened, they were used to re-introduce what they had abolished. By the Act of July 1, 1891, a ground landlord

who wants to divide his land wholly or partly among purchasers of rent-holdings, may apply to the Government rent-bank in his province. Here he obtains rent-schedules, transferable by sale to bearer, and guaranteed by the State, up to three fourths of the value of the returns from rented holdings. In other words, up to that three fourths, the State steps into the place of the landlord who sells the rented holdings. The landlord gets for those three fourths of the rent their capital value from the State. To that amount the peasant will owe the State rent. For the remaining fourth the ground landlord can take the peasant's payment in cash, and the latter can find it out of his own resources, or cover it by incurring further debt in mortgages. But the landlord may also retain a rent-charge for this remaining fourth of the rent. He may even, by contract, make it incommutable; he can also convert it into a right to service, and into a right of prior purchase in order to perpetuate this liability to service. Under all circumstances the ground landlord's claim to draw one fourth of the rent is sufficient to retain him in the position of head-proprietor over the peasant. But buildings must be erected on the newly-disposed holding. To this end the rent-bank gives the peasant loans by rent-schedules—loans for which interest is paid in a "rent-bank-rent" till they are paid off. They may not be called in as long as the peasant thrives in his farming. In this way the rent-bank obtains a control over that farming.

Rent to the rent-banks is raised in the same method as the Imperial taxes. But—and herein lies an innovation of great theoretic and practical significance—it is not only large estates that can be wholly subdivided or diminished by the agency of the rent-banks. It is possible by this agency to form larger estates out of several small ones, in particular by buying neighbouring acres (*Adjacentenkauf*). A small landowner, for instance, would like to extend his property; he applies to the rent-bank, which promptly advances him the requisite means; the acres bought with its aid are then united with the purchaser's estate, and the agency of the rent-bank in the purchase has the effect of making the whole estate a rented estate. In this case a rented estate would be said to have been formed by way of "consolidation." It thus offers the possibility, even where small properties abound, where the memory even of proprietary lords and aristocracy of the soil has vanished, of converting land-hungry peasants from free proprietors into Möserian *Zweidrittels-Knechte*.

Wherever a rented estate has come into existence, whether

through diminution of a large landed estate or through consolidation of many small properties, its subdivision and the alienation of parts can only be effected by Government sanction.

So much for the Act of 1891. Let us now glance back for a moment at the development in legislation aiming at the creation of a new peasant class since 1873. At first it was only a question of increasing the peasant class. Efforts with this object had proved abortive. Considerations of "national politics" then came to the fore. After a few years, as I shall presently show, they nearly dropped out of sight again. Then the chief aim appears to be the relief of large landowners combined with the maintenance of their social and political position by the creation of peasant holdings which, as used to be the case in feudal times, are dependent upon the former as their proprietary heads. But all this is only so many stages in the attainment of a far weightier purpose—the founding of a new system of land tenure. Free property in the soil is done away with. In its place appears a proprietary headship, whether it be the State alone, or the State in partnership with a great landlord. The peasant's free control of his holding is limited, as in feudal times, by the necessity of obtaining the sanction of the head-proprietor. His farming too is in various other respects superintended by the latter. Were it not that a few of the measures required by Möser for the protection of the peasant against over-indebtedness are wanting, the Möser ideal system of land tenure would be an accomplished fact. But before I discuss this culmination of the newest reform in Prussian land tenure, let us see how the Acts cited above have worked down to the Act of 1896.

The Act of Colonisation of 1886, by which the principle of rented holdings was first introduced, has from a national point of view completely missed the mark. This Dr. Delbrück pointed out in 1894.¹ Up to the end of 1894 1,606 rented holdings, making 28,168 hectares, had been created. Most of the settlements took place in the years just previous to 1894. If these, the best years, are taken as a measure of future advance in settlements, we get the result that, in 100 years 100,000 Germans will have been settled among 2,500,000 Poles. Beside the absurd outcome, revealed by these figures, to the fund of one hundred millions, they imply also a great advantage as having been conferred on those large Polish estates the political influence of which was to have been shattered. The demand of the Colonisation Commission for Polish estates caused a great rise in the price of Polish landed

¹ *Preussische Jahrbücher*, vol. 76, p. 555 ff.

possessions. The hectare cost on the average 614 marks, while the makers of the Act of 1886 had had in view an average price of 560 marks.¹ The consequence was that Polish noblemen on the verge of bankruptcy were helped on to their feet again by the proceedings of the Prussian Government. They sold their property to the Colonisation Commission at a price which they would never have got elsewhere, and bought with the proceeds—mostly from German proprietors on Polish soil—other estates of an extent better suited to their financial capabilities. This is shown in a very striking manner in a table of such sales and fresh purchases published by Delbrück.² A good illustration is afforded by a letter addressed to him by one of his informants :—"Herr X., in 1888, sold his estate Y. in the district of J. to the Colonisation Commission, and a few months later obtained by purchase from a German the estate Z., in full cultivation, situated in the same district. It is perfectly well known to all the residents in the district that, whereas Herr X. could not possibly in the long run have kept up the estate Y., which is only good in parts, is difficult to farm, and lies on the border far from any ordinary means of communication, he has firmly established his prospects by purchasing Z., an estate rich and homogeneous in soil and lying close to a railway."

But this was not the only effect of the Act of Colonisation. The Polophobe violence by which the period of Prince Bismarck's administration was marked had an effect contrary to what was intended; it awoke the national sentiment in the Polish population. And just as the measures to impose upon it the German language and prevent Germans from learning Polish only had the result of making the Poles bi-lingual, and thereby the economic superiors of the Germans, the proceedings of the Colonisation Commission provoked a great movement on the basis of free land, directed against the intended diffusion of the German element.³ A Polish landowner, Dr. von Kalkstein, a name which reveals German descent, started a scheme for founding a co-operative association for the acquisition of land. Its aim was to be the same as that of the Colonisation Commission—purchase of large estates with the view of subdividing them into peasant properties—with this difference that the peasants were to be not Germans but Poles. In all four such associations were formed, and by them, up to 1895, an area of 7,177 hectares has

¹ Vide Sering, *Innere Colonisation*, p. 203.

² *Preussische Jahrbücher*, vol. 76, p. 558.

³ For the following data I have to thank a work, now in the press, by Eduard von Trzcinski :—*Die Entwicklung des polnischen Genossenschaftswesens in Posen und Westpreussen*.

been subdivided into 322 peasant properties. It is worthy of note that these associations retained statutory control over their associates just as much as the Commission did over theirs, and that also for political reasons, but from the opposite point of view. The Prussian Councils put the greatest possible hindrances in their way. They refused them the requisite building sanction for the erection of buildings. The Credit Society of the province suspended credit in relation to the land that was to be distributed. And so on. All such chicanery bore witness to the great political power wielded by the officials in their capacity of economic surveillance, but it was not able to check the success of the associations for the acquisition of land.

In the year 1890 the position of the Prussian Government in Poland was altered. As Professor Böckh has shown, it was during the period 1861-1890, that is to say, almost precisely the period of Prince Bismarck's administration, that the German population in the governmental district of Posen was reduced by no less than seven per cent. This, taken together with the topsy-turvy success of the Colonisation Commission, afforded food for thought. Besides, the Poles came forward in the Reichstag as the spokesmen of those demands for naval supplies which lay nearest the Emperor's heart. The consequence was that, after Bismarck had retired, his Polish policy was dismissed and the Poles were regarded as subjects with equal rights. It is self-evident that this change affected the attitude of the Government in respect of the question of colonisation. Another reason of State was substituted for that which, as we have seen, was to govern the decisions of the Colonisation Commission in place of the economic interests of the settlers. Hitherto that had been German interests as against Polish; henceforth it was simply to be the interests of State social politics in small properties as opposed to large estates. Hence it was resolved to buy up and parcel out, not merely Polish but German estates as well. Hereupon the hatred of the Poles for the Colonisation Commission vanished. The Polish associations for the acquisition of land now toned down their national and political character; the Polish settlers ceased to hold so tightly to the associations; the social character of the enterprise became more marked. The Credit Societies of the province once more gave credit to the associations. And when the Act for Rented Holdings of 1891 took effect, the Polish party contributed to the creation of rented holdings with the aid of the rent-banks, while the General Commission at Bromberg even

supported these Polonising efforts in so far as they were in keeping with the social policy aimed at by the Act.

What then was the result of the Rented Holdings Acts of 1890-91? Up to the end of 1894 in the kingdom of Prussia 474 estates containing an area of 112,683 hectares have been disposed of in forming rented holdings. Of these 40,208 hectares have been divided into rented holdings, while 72,475 hectares at most have remained as surplus estate in the hands of the seller of the rented holdings. Out of that 40,208 hectares, 3,784 rented holdings have been constructed, 2,661 new settlements, 1,123 by the buying of neighbouring acres with the aid of the rent-banks. These two divisions may thus be analysed:—

Territory of the General Commission.	New Settlements.	Purchases of Adjacent Land.
Bromberg.....	2,090	600
Frankfurt a/d O.	373	123
Breslau.....	89	264
Münster.....	72	38
Hannover.....	31	5
Kassel.....	6	93

It should be noted that in the territories of the General Commissions, Düsseldorf and Merseburg—*i.e.* in the Rhein-provinz and in the province of Saxony—the new system of land tenure has in no single instance gained a footing. Also that at two other such centres, Breslau and Kassel—*i.e.* in Silesia and Hesse-Nassau—the majority of the rented holdings created have come into existence through peasants anxious for more land, buying additions to their farmsteads by the agency of the rent-bank.

According to a communication made March 23, 1896, by the Minister of Agriculture, Baron von Hammerstein, in the Prussian Chamber 5,070 rented holdings had, up to Jan. 1, 1896, been definitely created, with an area of 53,314 hectares and a rateable value of 43,519,205 marks. 2,578 rented holdings had been virtually created, with an area of 28,333 hectares, but had not been legally registered. Of these 2,444 holdings had already been actually handed over to their occupiers. Hence the total number of distributed rented holdings amounted to 7,648. Rent schedules to the value of 30,568,418 marks had been issued, 83,312 hectares remained to be disposed of. Eighty-two rent-paying tenants were in arrears—*i.e.* 1·8 per cent. of the total number. Seventeen holdings had been sequestrated, distraint having cost 1,800 marks. Eleven

holdings—*i.e.* $\frac{1}{4}$ per cent. of the total number—were down for distraint, March 23, 1896. In six cases distraint had been ordered but not carried out. Twenty-nine holdings—*i.e.* $\frac{3}{4}$ per cent.—were sold by public auction. Government outlay in this amounted to 24,798 marks.

But the Acts of 1890-91 did not exhaust the measures for rented holdings. On the 23rd December, 1895, William II. empowered Dr. Miquel his Finance Minister, Baron von Hammerstein his Minister of Agriculture, and Schoenstedt his Minister of Justice—all three being from Justus Möser's country—to lay before both Houses in the Prussian Parliament, a bill intended to complete the system of land tenure after Möser's own heart. And on January 15, 1896, the bill, respecting hereditary right in rented and settlement holdings, came before the Upper House.

According to this bill all rented holdings that were founded on the basis of the Acts of 1886, 1890, and 1891, or will in future be so founded, are to be *Anerbengüter*. That is to say:—

(1) Subdivision of the rented holding, or alienation of parts of it can be effected only with the sanction of a Government Board, in other words, of the General Commission for the territory in which the holding is situated. The same holds good for the alienation of the entire holding in case the transferee is not of the same family. These dispositions, however, are not to be retrospectively valid. In other words, restrictions on subdivision and alienation which, on the basis of the Acts of 1886, 1890, and 1891, could by contract be imposed upon a rent-paying tenant when selling hold good by the new law, even without contract, for all rented holdings to be created in the future. Nor can these prohibitions to divide the estate or alienate parts of it be annulled by testamentary disposition. (2) The chattels of a holding thus bound comprise all easements bound up with it or parts of it, all existing buildings, inclosures, plantations and trees, all farm stock—*i.e.* cattle, field and house implements, including linen and beds, stock of manure, and crops stored for consumption till the next harvest. (3) The holding thus restricted together with its chattels can be inherited by one heir only, the *Anerbe*, he, in case of intestacy, being sufficiently defined by the law.¹ Should

¹ The succeeding heir (*Anerbe*), as a rule, is said to be the eldest son. Möser held it should be the youngest, "so that his elders may be gone from the nest when the heir is about to provide a new brood." It is characteristic of Dr. Miquel that he should have shown a leaning in the same direction, when speaking in the Prussian Upper House, Feb. 27, 1896:—"If it could be introduced—and I am aware that, customs being in general what they are, it cannot be introduced—that descent should be by the youngest son [borough-English tenure] it would, I think, be far preferable in the case of small peasant properties."

there be other heirs they are dealt with on the following terms:—

On the division of an inheritance the productive value, not the selling value of a holding, is to be taken into account. All burdens and dues to which the estate is liable must be deducted from the normal annual net returns, according to what may be reckoned as their yearly sum. The capital value of the remainder is reckoned at 4 per cent. From the total thus obtained temporary charges on the inheritance (such as the obligation of maintaining the retiring parents and so forth) must be discounted by a principal commensurate with their probable duration. The remainder constitutes the value at which the hereditament is to be reckoned.

Liabilities on the inheritance, including mortgages, debts on real estate, &c., are to be charged to such resources as exist apart from the inherited holding and its chattels. For this purpose the permanent rents are to be capitalised at 4 per cent. In this way the liabilities, including the capital value of the rent charge on the holding, do not fall on the latter. If the liabilities are covered by those other resources, the heir receives one third of the value of the hereditament. If the liabilities are not so covered, the surplus debt is discounted from the value of the hereditament, and the heir receives one third of the remainder in advance. Only, in that case, the heir becomes solely liable for the remainder of the debts. The remaining two thirds are distributed among all the heirs, including the *Anerbe*, in accordance with the general laws of inheritance. If, however, the portions of the co-heirs exceed in any one case thirty marks, or in their totality the yearly income of the estate, the remaining heirs may claim not capital, but a fixed money rent, amounting to 4 per cent. of their legacy. The *Anerbe* may redeem it by payment of principal to an equivalent amount. The rent-bank may meet the co-heirs who have been paid off with this money-rent by taking over their claims, they receiving not 25 times the amount in rent-schedules at 4 per cent., but only $24\frac{1}{2}$ times the amount in schedules at $3\frac{1}{2}$ per cent., or 26 times the amount in rent schedules at 3 per cent. as nominal value,—or cash, if this is not possible. The rent-bank may not take over the claims on rent of the excluded co-heirs, in case the hereditament is so indebted that those claims are not covered by the first three fourths of the value of the estate.

These measures favour the succeeding heir (*Anerbe*) and are disadvantageous to the excluded co-heirs to a hitherto unprece-

dented extent. Where *Anerbenrecht* (succession of only one heir to the estate) has hitherto existed, the former was only aided either by a lower valuation of the estate at the time of transfer, or by an advance. Here he receives the estate at a valuation that may be far below the true figure and besides this receives a third in advance. Whereas it was customary, for instance in Bavaria, for succeeding heirs to take over the liabilities in the lump, here they fall, including all debts contracted in improvements, on any other resources that may exist. The co-heirs finally receive their much-curtailed shares not in capital but in rent, and cannot convert this into capital save under certain conditions and at a loss. To illustrate the way in which this law of inheritance affects those concerned, I will take an example given in the preamble of the Government bill:—

The owner of a holding subject to this new law of inheritance has three sons A, B and C. The holding has a selling value of 30,000 marks; his other means amount to 1,500 marks. Thus the value of the aggregate property bequeathed is 31,500 marks, 1,000 marks are deducted for debts on the succession, 30,500 marks remain.

As valued by experts the yearly net return on the holding is 1,000 marks. This, reckoned as interest at 4 per cent., gives a capitalised return-value of 25,000 marks. The excess over this of its selling value—5,000 marks—forms the equivalent for the secure and independent opportunity of work which the holding confers on the occupier quite apart from investment of capital. According to the Act, in settling the succession only 25,000 marks can be taken into account. From this we must discount the capitalised value of the permanent and temporary burdens chargeable on the estate, which brings the value to be reckoned with down to 21,970 marks. Now the total sum of the liabilities on the estate amount to 15,000 marks; to this must be added the 1,000 marks of personal debts on the succession, giving a total of 16,000 marks to be covered by other sources of income. There then remain 7,470 marks as the value of the inheritance. Of this the succeeding heir obtains one third, or 2,490 marks, in advance. The remaining 4,980 marks is equally divided among the three heirs, thus:—

A (*Anerbe*), gets $2490 + 1660$. . . = 4150 marks.

B and C each receive rent on 1660,

i.e. quarterly 16 m. 60 pf. . . . = 3320 „

Total . . . 7470 „

According to common law, after deducting liabilities from the selling value of 30,000 marks, the remaining principal of 21,470 would be divided equally among the three sons; each therefore would receive 4,156 $\frac{2}{3}$ marks. But now only A is to obtain the secure and independent opportunity of work offered by the tenure of the holding, valued at 5,000 marks, and besides this an advance of 2,490 marks and a part legacy of 1,660 marks—in all 9,150 marks; while B and C receive a quarterly rent of sixteen marks 60 pfennigs.

But, it is said, we must sacrifice the excluded co-heirs for the sake of keeping the rented holding in the possession of "the family." "Family" however is here only a misleading designation for succeeding heir. The expropriated co-heirs belong no less to the "family." They do not remain on the estate, which was precisely Möser's reason for desirating descent by the youngest, and concerning which Dr. Miquel comforts them¹ in that they "are free to go off and enlist in any other branch of industry." What strikes one most strangely is that this very advanced subsidising of the succeeding heir is justified by the assertion that it is done in the interest of the co-heirs themselves, as they would get the advantage of a refuge in the estate, in case they suffered shipwreck in their careers. Art. 21 of the Act enacts that the rent which the excluded co-heir has to make shift with can be redeemed by a yearly addition as a sinking fund of 1 $\frac{1}{2}$ per cent. on the principal. Either therefore his rent is redeemed by increments of capital, and he then loses all connection with the paternal tenure, or else his claim on rent is entirely extinct after thirty-three years—*i.e.* at a time when he will naturally be most in need of support. If he does then need it he is no welcome guest with his more favoured brother, and if besides he has a family, the succeeding heir is under not even any moral obligation to aid in its support. All these dispositions therefore seem far more adapted to promote the ruin of the excluded co-heirs.

The succeeding heir is only compelled to throw the amount of the third advanced to him into the aggregate to be inherited, if, within twenty years after the death of his predecessor in title, he should alienate the hereditament to any one who is not a co-heir. In this case moreover a legal right of pre-emption devolves upon the latter; considering, however, the dimensions of his share in the succession, it is not likely to be often within his means to make use of the right.

¹ *Proceedings of the Upper House*, Feb. 28, 1896, p. 68.

But the most striking innovation in the existing law is that the rented holdings are invested with the quality of *Anerbengut*, subjecting them to these exorbitant regulations, not by the disposition of the actual occupier, but by that of the Government Board. Protest on the part of the occupier would be futile. Nor, if he were to demand this or that in his own interests or in those of his family, would the procedure be therefore suspended, unless the Government Board held it conducive to the "common interest"—i.e. to reasons of State. The occupier wholly forfeits the right of disposing of the estate during his lifetime and by will, in so far as his dispositions were opposed to the restrictions contained in the Act.¹

Thus constituted the Government Bill became law on June 8, 1896. In one point only have the Government and the Right Wing failed to carry out the whole of their intent. The Government had laid down the brand-new principle that, in the register of the estate, the space to be reserved for the quittance rents due to the excluded co-heirs and which should gradually become vacant by the customary redemption, should remain open for any subsequent arrangements respecting the succession. The occupier is not to be granted free control of that vacant space so as to take up fresh mortgages; the mortgage contracted for the debt of the quittance rent is not to be cancelled, but, even if the debt is completely redeemed, the mortgage column is to be barred off. The design here was twofold; in the first place the vacancy was to be kept open for future excluded co-heirs; in the second place, a bar was put to the vacancy being filled up with other debts on the land or mortgages. In the case alone of the occupier needing a mortgage under circumstances of exceptional urgency should the Government Board permit of further liabilities being incurred. But besides this there had been apprehension that the repug-

¹ Admirers of the new law are for ever seeking to extenuate the significance of these restrictions by insisting that the Act is only introducing a system of intestacy, the working of which could at any time be cut off by will. This however is a not very honourable evasion, wherewith it is sought to soothe the consciences of liberal thinkers, and perhaps of those who extenuate. The right of testamentary disposal is by the new statute materially restricted. By Art. 7 rented holdings are indivisible; hence none but one heir can inherit them. The freedom retained by the testator is only that of determining who shall inherit. Again by Art. 34 the testator may not, in the interest of the excluded co-heirs, assign a higher value, at which the successor is to be granted the estate, than is in accordance with Art. 18. There is far more honesty in Baron von Hammerstein's designation of the aim of the statute as the introduction of a "compulsory right of succession of only one heir." (*Proceedings of the Upper House*, Jan. 20, 1896, p. 18.)

nance to this law of succession anticipated¹ among the class for whom the measure had been introduced, would lead them to use even the scanty range of free control remaining under the statute to the occupier, for purposes of evasion. It had been feared that the occupier would burden his estate with debts to the prejudice of the successor with the view of aiding the excluded co-heirs, thus endangering the entire design of the statute.² Nevertheless on this point the Catholic Centre followed the Left. The Government proposal, to which the Upper House and the Right attached great weight, was rejected. But the design latent in the Government proposal was of far greater significance than appeared according merely to the letter. It was reckoned that, if the space reserved for the quit-rent were to be marked off, even after redemption of the rent, the occupier would hardly be able to charge his estate with new mortgages. No capitalist would be found willing to lend on mortgage, if he knew he could never foreclose.³ It was intended then, under the cloak of a clause in the interests of future life-tenants, to smuggle into the Act a legal limit of liability. Herewith the final postulate of Möser's ideal would have been realised. As it is, it still awaits fulfilment.

Such is the substance of the Act of June 8, 1896. But the range of its influence will far transcend its bare formulæ relating to the law of succession. This has been insisted on time after time in both Houses by friend and foe alike. Dr. Miquel declared that the Act was the first stepping-stone from which one could advance step by step in matters of land tenure. Nor does Baron von Hammerstein, the Minister for Agriculture, leave us in any doubt as to the bill being in the intention of its authors the beginning only of legislation on the whole question of land tenure. The newly drawn up code of civil law offers no impediment to this. It is true that the code rejects and excludes succession by only one heir as the general law of succession in land tenure, stating explicitly that the land laws cannot restrict the right of the living tenant to dispose of the land subject to the succession by only one heir after his death (Art. 64 of the Introductory Act). But this holds only for freehold tenure. Art. 62 says "Legisla-

¹ *Vide* Count Stolberg's speech in the Upper House, Jan. 20, 1896. (*Proceedings*, p. 20.)

² *Vide* the speech of Dr. Schilling, spokesman of the Committee, in the Chamber of Deputies, May 11, 1896. (*Proceedings of the Chamber of Deputies*, p. 2,126.)

³ *Vide* Count Klinckowstrom, *Proceedings of the Upper House*, Jan. 20, 1896, p. 27. *Cf.* further *Stenographic Report of the Proceedings of the Chamber of Deputies* 1896, pp. 2,126-29, 2,163-65.

tive provisions for rented holdings to remain intact." The authors of this new agrarian legislation have proceeded in the expectation of bringing about the conversion of freehold tenure into rented holdings, and that thus the agrarian law, which to-day appears as special legislation for a specific type of tenure, will become the general land law of the future. This accounts for the enthusiastic adherence of those groups who, ever since the days of Stein and Hardenberg, have been the irreconcilable opponents of freehold property. Count Klinckowström went so far as to call the Act "a grand agency" for the saving of agriculture.

And from his point of view he is quite right. Take the landowners east of the Elbe. By their own report they are deeply in debt, in parts actually over-indebted. Now comes Dr. Miquel and says, I will help you. The reason of your over-indebtedness is, that your estates are on far too large a scale for your means; this, as you have experienced, is of serious disadvantage to you; moreover it is of serious disadvantage to the State, in causing the peasantry to be reduced. You must sub-divide your estate into peasant holdings. This will save you; for the sale of the small shares will fetch a far higher price than if you dispose of the estate wholesale.—You now reply: That is what Thaer and Stein and Hardenberg told us; but it's precisely what we didn't want, since it is on our large estates that our social position and political weight depend.—There you are quite right; and I am the last person to prejudice your position; for it is you who in the past founded Prussia and through Prussia the German Empire, and you are the most solid basis for the State and the kingdom in the future. I look upon it as the first duty of the State, to make careful provision for the maintenance of this firm foundation on which the kingdom of Prussia is built up. But this is just what will happen if you accede to my proposal. The fault in the Stein-Hardenberg legislation lay, not in its advice to you to sub-divide your large estates, but that it only left you the possibility of selling them as freehold property. Now this you ought not to do, for you will then be giving them up. But I have discovered the trick how to sell and yet retain. You must sell your large estates, but let it be for a rent-charge. In this way we shall both profit; you in retaining a suzerainty over your estate, and therewith your position and your influence; the State in retaining you as the solid basis on which it has grown great, and in getting the peasantry whom it urgently needs. To this the landlords reply, that rents will not serve their purpose.

They are deep in liabilities—in many ways are near to drowning in their ocean of debt. What they want is not rents but money down. Their creditors demand capital and this they have not got.

But Dr. Miquel has gauged their situation unerringly. I understand, he goes on, that it is money you want, and I have made provision that you shall get it. Here are State rent-banks whose function it is to buy up the peasants' rent obligations from the landlords. True, the State cannot take over the whole of the rent-charge on a holding which might endanger its finances, but only up to three fourths of the value of what the holding produces. But this is not to your disadvantage, but the reverse. For on the one hand you, in consequence of your sub-dividing the estate, will receive so high a price¹ that the capital value of three fourths of the rent-charge will completely cover your debts; on the other hand, the remaining quarter of the rent, not taken over by the State, will just serve to retain your suzerainty over your tenants, and therewith your social position and your political influence.

It is self-evident that by this intervention of the State with pecuniary resources certain precautionary measures are rendered necessary to prevent its becoming financially embarrassed. If it hands over money it must obtain security, so that the holding thus created should at all times be in a position to pay the rent due. Hence we bring all those restrictions to bear on the free control of the rent-paying tenant which the feudal landlords have already used for the same purpose. We tie up the holding in such a way that nothing can be severed from it, especially woods, trees, and such appurtenances. No sub-division, no alienation of parts, nor even of the whole may take place without the consent of the Government Board, and, if stipulated by you in the contract when creating the holding, without your consent. We re-introduce the protection afforded to the succeeding heir by the feudal lord at the expense of his brothers and sisters by excluding them from the succession; since, if the State makes such sacrifices to found a new class of peasants, it is self-evident that it cannot suffer itself to be led by a sentimental regard for persons, but simply by a regard for the productive efficiency of the newly made farm. Man is not the Alpha and Omega of national economy; to the clear reason of the Man-

¹ *Vide* the complaints of Baron von Durant (*Proceedings of the Upper House*, Feb. 27, 1896, p. 36), and of Count von Schulenburg (*Ibid.* p. 46) as to the high prices demanded of the buyers of rented holdings. *Cf.* also Count Klinckowström (*Ibid.* May 19, 1896, p. 361)

chester school it was Capital; for the sagacious agrarian statesman it can only be the Farm. For the same reason it must be our endeavour to attain once more to the limited liability of the feudal land laws; and that, now as much as then, is to be brought about by the suzerain proprietor, whether it be the State or the landlord who sells the rented holding.

Under this new order—or more accurately under this re-installation of the feudal order so dear to you—Dr. Miquel goes on, it is, no doubt, the State that is three fourths over-lord of the peasants, you only one fourth. The State, however, has at all times stood by you and will continue to do so. That remaining fourth will maintain your influence not only over the peasants but also over the State administration. One thing you must take specially into account. The three fourths of the rent taken over by the State are taken over only in so far as they are redeemable. Your fourth, on the other hand, you can convert into a non-redeemable rent; with it, wholly or in part, you can bargain for services, as in feudal times, and, if you contract for a right of pre-emption, you can perpetuate this obligation to serve. Whereas the rents payable to the State cease within a measurable interval, and its suzerainty therewith ceases, your suzerainty continues in perpetuity. Hence, in a measurable interval, you will become the sole suzerains of your peasants.

But this legislation of mine, continues Dr. Miquel, will in course of time conduce to the abolition of freehold tenure, thoroughly unsuited to the land as it is, no less in those regions where there are no large estates to be partitioned and even where tenure by allotment predominates. For everywhere the peasant hungers for the soil, and if the State rent-banks work on this land-hunger, freehold property will melt away on all sides. If a peasant anywhere is desirous of adding to his property by purchase, he has only to turn to the rent-bank, and it will get him the piece of land, even if he pays no deposit on the security of a promise to pay rent. Of course the peasant pledges his whole farm for the punctual payment of this rent. For this it is necessary that his whole estate, and not only his new purchase, should assume the character of a rented holding. And hereby all the land he owns becomes subject to all the restrictions in free control during and after life imposed upon rented holdings. In this way freehold property melts away of itself. Once more Möser's proposition is proved true,¹ viz.—the Mosaic theocracy pronounced the

¹ *Werke*, iii. 318, 319.

earth to be the Lord's; according to us, the earth is the State's. The one kind of tenure adjusted to the soil—leaving of course aside, as Möser did, the lands remaining as the demesnes of the landlord—is the hereditary leasehold.

With property inland undergoing so natural an evolution into land nationalisation and into cultivation by a hereditary succession of rent-paying farmers, the agrarian reformers may console themselves for the want of consideration shown to their proposals by the *doctrinaires* in Roman law who compiled the new code of civil law. This leaves legislation concerning rented property subject to the legislation, not of the German empire, but of the individual German States. Nothing further was wanted, inasmuch as rented property is expected gradually to supersede freehold property.

Whatever may be the verdict on this agrarian programme, no one will deny it has been conceived on a grand scale, nor will any one grudge a tribute of admiration to the pluck, energy, skill and cunning with which Dr. Miquel, since his entry into the Prussian Parliament after the annexation of Hanover, has laboured at the realisation of Möser's ideal. Judgment however will not be on this wise, if the probable consequences of the programme are contemplated. These depend on whether the rural population will prove willing to fall in with the restoration of their dependence upon a head-proprietor and with the abundant restrictions over the free control exercised by the occupier of the rented holding. It has already been admitted that the peasants will not again consent to take land in exchange for service. Counsellor Waldhecker, of the General Commission in Bromberg, states¹ that "The fact of work to be performed—of situations where services are to be rendered to the landlord as a species of rent—has never actually occurred. In the one instance where the proprietor announced it as a condition of sale, no buyers were forthcoming, because no one would enter into such a relation of dependence. When the condition was suffered to lapse buyers came forward at once. The current of the age is heading for the independence of every private individual." In other words it is acknowledged that to convert peasants into Möser's "two-thirds-a-serf" is opposed to the people's sense of justice. Similarly we are told that buyers of rented holdings as a rule refuse to take a holding for a rent upon the commutability of which *both* parties must agree.

This opposition confronts us again in the matter of the

¹ Vide Waldhecker, *Die preussischen Rentengutsgesetze*, p. 71.

restrictions imposed on the rent-paying occupier's control over his tenure. Even warm upholders of the principle of rented holdings were never weary in lamenting the deterrent force exercised herein over those who were desiring to become tenants on that principle.¹ But most strongly does the people's sense of justice come into conflict with the vigorous law of succession excluding all heirs except one, introduced by the Act of June 8th, 1896. The one exception to this state of public feeling is said to be Lower Saxony, Möser's own home. In the Eastern provinces, where alone there is a more appreciable number of rented holdings and settlement lots, a law of succession in favour of only one heir has hitherto been unknown. Hence it is not only the opponents of it who protest against the Act being carried out, but even so keen an advocate as Count Udo Stolberg declared² it to be his conviction that the settlers would use all the means in their power to render the intention of the law null and void. But what is most remarkable are the effects already wrought by the Act of June 8th in Prussian Poland.

The Polish associations for the acquisition of land have recently given up the creation of rented holdings commenced in 1891. The motive is not only that there has lately been a change unfavourable to Poles in the Government policy, and that the State nowadays takes over the rents from those Polish associations only on condition that at least one German settler comes for every two Polish settlers; the introduction of the new law of succession favouring only one heir is no less the cause. For in the first place, the law of succession is so opposed to the Polish sense of justice that many people would be deterred by it from acquiring land. Then, again, it often happens that the father often stays on the land he has acquired and cultivates it while the sons repair to the industries in the West where higher salaries are paid, there gather in their savings and send these home to be used in paying for the price of the purchased land. Or, in the case of a larger property, the father works the farm with all his sons and thus, by economising in wages to outside labourers, is able more quickly to wipe off his debt. Both these methods would be abolished by the new law of succession. But this would in many cases have the effect of endangering the livelihood of the occupier. The Polish associations for the acquisition of land have therefore gone back to buying land for capital, instead of for payment of rent, and to self-help in place of State aid.³

¹ Cf. for example Struckmann's speech (Upper House, Feb. 27, 1896).

² *Proceedings of the Upper House*, Jan. 20, 1896, p. 20.

³ Cf. Ed. von Trzcinski, *op. cit.*

But is it not likely that similar views among the remainder of the East Elbe population as to law and justice will bring about an appreciable shrinkage in the demand for rented holdings? Sering mentions "the swarming abundance of children"¹ belonging to the settlers, and attributes the success hitherto attending the inland colonies in part to the eagerness to provide for the children. Must not this eagerness languish under a law by which it can only profit *one* child at the expense of the swarming remainder? In another passage² he tells us of a flourishing settlement of ninety-seven hectares bought by a peasant, who has nine children, five of whom are sons who have served their military term, and together with whom without servants and with one maidservant only the father carries on his farm. Would this be possible under the new law of succession? I myself have no doubt that, as soon as the peasantry have got a practical knowledge of the change in the system of inheritance, the children will leave their home as soon as they are old enough and seek work in the towns by which they may profit and not the one heir only. But above all they will use the scanty rent doled out to them to hurry off to the city or to foreign lands where their prospects promise to stand a better chance. So it was in the times of the "law of the manor" (*Hofrecht*), when men and maids fled to the towns, wherever their flight was not legally prohibited. To keep them on the land it would be necessary to take a further step in the re-introduction of the ancient relation between landlord and peasant and, as formerly in Brandenburg, to forbid even those who had no share in the land to leave the country without leave of the over-lord. For many landlords this experience might remove one of the chief inducements to partition some of their estates into rented holdings.

Now it is true that there are people who deny the cogency of that sense of justice which holds that the excluded co-heirs are wronged by the new law. The extraordinary protection of the succeeding heir has been justified by the plea that it is "necessary in the case of the man who really has to undergo all the labour and toil for his brothers and sisters, they being free to consume their rents without toil." So says not only Count Klinckowström, but the Government as well, and Dr. Miquel in particular. But to depict the excluded co-heirs as fortunate *rentiers* after almost disinheriting them, is almost to add insult to injury. In the example given above it will hardly be claimed that the succeeding heir with his residuary estate of 30,000 marks is the

¹ *Innere Colonisation*, pp. 229-30.

² *Ibid.* p. 178.

victim toiling on behalf of his brothers with their quarterly dole of sixteen marks sixty pfennigs. The latter would willingly take over the labour and toil which the possession of a secure and independent opportunity of work brings with it, were they not condemned by the law to this renteeship. But the argument is also in other respects most ambiguous and therefore dangerous. For if rent is simply the result of the successor's labour, then the State and the landlord have no better title to rent than the excluded co-heirs. If they are robbed of their natural portion, because the succeeding heir produces the rent, and they therefore were receiving something which they never properly earned, why should the State and the landlord be paid any further rent? Because forsooth the rent to which they lay claim is greater than that paid to the co-heirs? By the movement now going on in Bavaria against the remnants of the old feudal rents now due to the State, we may see what the consequences would be, and that is, a petition for the abolition of the rent payable to both State and landlord. Nay, a remark by Sering¹ shows, that even now, in North-east Germany "petitions are being circulated on behalf of certain hard-pressed families for remission of the yearly rent."

The prospects of success for the new legislation are even less favourable in West Germany. No rented holdings have as yet been created in the districts of the Düsseldorf and Merseburg General Commissions. How far from feasible it would be to import them into the South is shown by the above-mentioned movement in Bavaria.

But even the owners of *Rittergütern* seem to look on the legislation on rented holdings only with moderate delight. A well informed person writes to me: "Who is the seller of a rented holding? It is *only* the deeply indebted owner of a *Rittergut* of moderate size—say of 1500 to 3000 acres. What does he aim at? He wishes to get rid of his debts and get as much surplus capital over his debts as he can. The mortgages which encumber his estate compel him mostly to sell his estate as a whole, instead of selling only the acres lying far away from his seat, though this would economically be the far wiser course. But to do the latter, some financial and economical cleverness is required, and in this the seller as a rule is deficient; he wants to begin something new with the small capital which he has saved from the shipwreck, wishes to go away to some other place, and he does not trouble even of wishing to retain for himself a rent and for his estate an overlordship over the holdings which he has sold off. Besides the

¹ *Innere Colonisation*, p. 232.

latter are as a rule demanded and supplied in sizes so great that the purchaser and his family are fully occupied with their cultivation, and even where the holdings are of smaller size experience has shown to the anger of the Agrarians, that the peasants rather than go for work to the lord's estate, seek work in carting and other casual undertakings. It is therefore not probable that the large owners will sell their estates in a great measure against rents, as they—notwithstanding their talk against capital—appreciate the worth of capital to the utmost." Accordingly the legislation on rented holdings does not even seem to be in favour with the much lamenting owners of *Rittergütern*; even they do not seem to consider it as in agreement with their interests. It seems as nothing but the result of the weakness of some doctrinaires towards the romantic velleities of aristocrats.

We see then that the legislation for rented holdings is not developing in a way that is promising for the future of the new agrarian reform. As long as this reform took its stand on the creation of a free peasantry in place of the system of large estates east of the Elbe, it had simply to contend with technical difficulties, but was sure to win sympathy in general. The case was not otherwise when nationalists' standpoints were joined to those of social politics, though even here success appeared doubtful. Both these points of view have been driven into the background by that which seeks to create new land laws in the spirit of Justus Möser's ideal—viz., Nationalisation of the land with cultivation of the same by tenants on heritable farms who pay a rent and are under the surveillance of landlords. This sweeps away all prospect of these rented holdings ever driving out freehold property. It seems even doubtful whether they will increase to any great extent. The peasant class absolutely refuses to hear of being once more subject to the supervision of landlords. Where, on the other hand, this does not exist, and supervision is directly conducted by the State, the Möser programme presents in part so close a likeness to that of the Social Democrats that it almost looks by competitive jealousy to be carrying out with one hand what is persecuted by the other. After all, the Bavarian movement against the remnants of the old feudal rents now due to the State is enough to show how little sympathy would be felt by a purely peasant population for the nationalisation of the soil, even in a form free from all feudal adjuncts. If things were to come to a general introduction of rented estates this would certainly only lead to their general abolition, and in the end to the renewed triumph of the principle of freehold property.

LUJO BRENTANO

THE DEBASEMENT OF THE COINAGE UNDER EDWARD III

IN a previous paper published in this Journal (in March, 1895) we described the method of administration adopted in the English Mint under Edward I., and discussed some of the incidents in the history of the currency in the reign of that King. Before proceeding to deal with the subject of the present essay it may be as well to give a brief sketch of the monetary history of the intervening reign.

The rapid influx of silver into the mint which marked the conclusion of the reign of Edward I. continued for some years during the reign of his son; although a break in this flow was caused by the political struggle which resulted in the Ordinances, and brought about the expulsion from England of Emery de Friscobaldi and his firm. Still, even the severe financial strain which such an event must have caused, only marks the beginning of a new era; and it is not until 1321 (ten years later) that the silver paid into the mint falls to a negligible amount. The Ordinances themselves, while depriving the Friscobaldi of their offices in England, including the control of the Mint, not only make no complaint of the character of the money current, but even demand that no change shall be made in it. We may accordingly assume that in 1314 the English currency was in a sound condition.

The remainder of the reign of Edward II. demands no special notice from the student of currency. Though silver was probably leaving the country, its departure was slow and unobserved. "Black money"¹ had certainly crept into England to replace it to some extent, and was thus passing on to Ireland and driving out the silver there. But all this was below the surface, and men's minds were too busy with political change to observe or discuss economic movements.

¹ *Turonenses Nigri*, i.e. coins containing less than half their weight of silver. Oresme.

This disturbed period continued during the first few years of the reign of Edward III.; and it was not until after the restoration of order in the political world that the condition of the coinage attracted any attention. In 1331 a species of commission composed of members of the council, reinforced by several experts, was appointed to deal with this question and to make what regulations might appear necessary.¹ They contented themselves with the issue of a proclamation² imposing heavy penalties on all persons exporting silver, a measure from which little good was to be expected, and little good did in fact result. For the succeeding period of four years nothing was done; but on the 6th of June 1335 the Government took a further step. An ordinance, commonly known as the ordinance of York,³ was issued modifying the drastic severity of the penalties imposed on the export of money by the last commission; containing provisions intended to secure that all silver imported into England should be brought to the Mint to be coined; imposing penalties on the melting down of coin; and ordering⁴ all "black money" to be put out of circulation. In the same council a further remedy was decided upon of a more practical kind. The warden of the Mint, John de Windsor, has a fair claim to be regarded as the author of the new policy, and of the considerations which recommended it to the Government. He appears to have perceived that the cause of the deficient supply of silver to the Mint was to be looked for mainly in the worn condition of the currency, and that at that particular time the restoration of the coins to their old weight was beyond the strength of the Government.

At any moment such a task is one of difficulty; Edward I. had, indeed, succeeded, but he had been in a stronger position than his grandson occupied, and had had under his control a far stronger Exchequer than England was ever to see again. No Treasurer with the fate of Walter de Stapleton in his mind was likely to provoke another revolution by unpopular financial reforms; still less to attempt to cry down the circulating money of the kingdom to its bullion value. In addition to these political reasons there was an administrative difficulty. The method employed by Edward I. in his recoinage involved the preliminary acquisition by the Mint of a large store of silver; armed with

¹ *Rot. Parl.* II. 62.

² *Fine Roll*, 5 Edw. III. m. 19.

³ *Fine Roll*, 9 Edw. III. m. 10.

⁴ This was found impracticable in Ireland. *Close Roll*, 13 Edw. III. pt. 2. m.

this coined into money of full weight, the Government could put pressure on the public to pay in the debased coin at bullion value; could pass all the money that came into its own hands to be recoinced; and force the reform into execution with as little friction as possible. But John de Windsor neither had nor could obtain such a stock of silver at a time when the borrowings of the King only went to equip troops for the French war; neither could he count on receiving any money from the Exchequer. In fact, that office now held very little cash; it was no longer the Government bank, the only office for receiving and paying money. It was an office for auditing accounts and issuing (or raising) tallies. These tallies formed a species of government wooden money, which were issued to any person paying money into the exchequer, or to any person with a claim to payment out of it. To some extent they seem to have been negotiable, and to have passed from hand to hand. If issued in payment of a claim they were made payable by some person in whose hands Government money naturally accumulated, a collector of customs or subsidies, the warden of the Mint, or even a sheriff; and if nothing went wrong, were duly cashed by the officers and returned to the exchequer in payment of the balances. There were many advantages in this system, but the net result was that the exchequer had become a clearing house for tallies and not an office keeping the reserve cash of the Government. These two considerations were probably powerful arguments against any attempt to restore the currency to its old form.

The other possible policy was to reduce the weight or standard or both, and so raise the Mint price of bullion to coincide with its price in the worn money. It is clear that such a correspondence was needful to induce holders of silver to sell bullion to the Mint at all; but there seems to have been an opinion at the time that it would act even more powerfully. If the currency of a country is not debased below its face value, any alteration in the Mint price of silver can only affect an influx of silver in one case, viz., where there is an alteration in the charge made for coinage; changes in the weight or standard alter the Mint price in appearance, indeed, but in reality only introduce a new denomination of money with an old name. These remarks are not likely to appear disputable to present experience, but a Mint official in the reign of Edward III. would assuredly have doubted the truth of them. Part of his reasoning can be guessed at; but the exact nature of the confusion, which prevailed on this point in the mind of

the mediæval economist is hidden in the mazes of the Rolls of Parliament.¹ So far as we can conjecture the solid part of their reasoning was as follows: "a large alteration in the Mint price will not help us, but a small one may. A merchant with silver to sell will come to us rather than to France, if he knows that our Mint price is calculated in pieces that look like the old pieces and can pass for them, but are really lighter; he will hope to export them to France, buy good French coin with them, bring that to England and so make a profit on the round trade." A fair retort would have been that the profit would not pay the cost of carriage, and that the scheme was illegal. But the mediæval merchant would have maintained his point, and supported his argument by references to Scotch pennies, Luxemburg coins, and galley halfpence, that came into England looking like sterling, and replacing it in circulation. The controversy cannot be followed further; it will recur at intervals through the whole of monetary history.

A more practical reason in favour of a debasement was the opportunity thus given for repairing the currency. It was hoped that by making the debasement sufficiently great, this might be accomplished without any apparent loss to the holder or the state. But first an experiment was to be made on part of the currency. Since Michaelmas 1331 all coining had been suspended, and the Mint of London had abandoned an issue of pence and halfpence and coined only farthings. The new coinage was to consist of halfpence and farthings only, and was to be debased in both weight and fineness. The alloy was to be increased; it was to be one-sixth part of copper to five-sixths of silver in the pound weight, out of which £1 1s. or 504 halfpence were to be made, while the total deduction for mintage and seignorage was 20½ dwt. per pound weight.²

The Mint price for silver in the new halfpence works out as follows. If a man brought to the Mint a pound weight of pure silver, the Mint would add to it 2½ oz. of copper, and deduct 20½ dwt. from the resulting 14½ oz.; this would leave for the merchant 267½ dwt., which coined into money at the rate of 21s. to the pound would make £1 3s 5d. coined money, the Mint price of 11b. Tower of pure silver. Similarly we may work out the Mint

¹ See *Ruding* (1817), I. 436; and esp. *Rolls of Parliament*, vol. III. p. 126. Possibly the confusion arose from the difficulty of speaking of a money price of bullion; possibly the error is a modern misunderstanding of mediæval expressions.

² For details see *Pipe Roll*, 12 Edw. III. Account of John de Windsor. In the indenture there quoted there are a few clerical errors.

price of a pound of silver of the old standard, consisting of 222 dwts. of silver and 18 dwts. of copper; to bring this to the new standard the Mint would add $\frac{1}{3}$ of 222 dwts. less 18 dwts. of alloy, making in all $266\frac{2}{3}$ dwts. of metal of the new standard, and would deduct $26\frac{2}{3}$ ¹ dwts. leaving for the merchant the exact 240 dwts. he had paid in.

This in coin would thus amount to 1s. more than the original value but would be of inferior fineness, and the coins would be lighter, but only a trifle lighter than the old ones, when of their full weight.

It need hardly be stated that the reasoning here put into the mouths of the Mint officials rests upon no documentary evidence. Historical documents drawn up for administrative purposes are usually not equally adapted for the instruction of posterity. But as in the last few pages we have expressed our view² that the secret of the mediæval policy of debasement is—in England at all events—to be looked for in the wear and tear of the currency, it may be as well to discuss other theories that have been put forward. What may be termed the Classical Theory would attribute all alterations of the coinage to the avarice or unscrupulousness of the crown. Oresme, who admirably represents the philosophic ignorance of the fourteenth century author, can conceive of no motive for such a policy but a desire for illicit gain. And parallels to this way of thinking might be collected from authors of later date.³ No doubt a government deeply in debt can effect a diminution in the capital amount by a debasement or depreciation, and profit to that extent; and no doubt, if the secret can be kept, a government can profit by a secret alteration of the standard. But, in the absence of these two conditions, it is very difficult to understand how a depreciation of the currency without a subsequent appreciation can assist a government in financial straits. In France secret debasements, debasements to pay debts, and debasements followed by restorations to the original standard did occur in the thirteenth and fourteenth centuries; and probably the theory under consideration has arisen chiefly from study of French evidence. But

¹ That is if the silver were English silver. If it happened to be foreign, the deduction would be only $20\frac{2}{3}$ dwt.

² Dr. Cunningham appears to hold this view.—See *English Industry and Commerce* (1896), p. 328.

³ E.g. Adam Smith, *Wealth of Nations* (1802), I. 42. "The avarice and injustice of Princes and sovereign states, abusing the confidence of their subjects, have by degrees diminished the real quantity of metal, which had been originally contained in their coins." Cf. also vol. III. pp. 434-440.

the application of it to the English debasements of Edward III. is unfortunate; for they are marked by no secrecy, they are not followed by any attempt at the restoration of the standard, while for the payment of his debts Edward III. usually preferred the simpler course of repudiation.

Another theory has lately been put forward,¹ based upon a curious application of Gresham's law to this question; it may be called the theory of alternate debasement. It is an anticipation of the historical order of our subject to introduce the notion of a double standard at this point, but the close connection between Edward III.'s policy of debasement and his adoption of a gold coinage and a double standard necessitates this course. Writers have noticed this coincidence in time; and have noticed also the uncertainty² of all mediæval estimates of the exchange ratio of gold and silver. One of the two currencies was likely enough to be over valued. In order to correct this they have supposed that the other currency would be depreciated to bring it back to par. So soon as this other currency in its turn became over-valued, depreciation would in turn be applied to its rival, with the result that by alternate depreciations the whole currency would be debased, while the Mint prices of each metal rose. Now this theory is of such a nature that it cannot be wholly refuted. It is not true that the depreciations of gold and silver took place alternately;³ on the contrary they took place together and were far larger in amount than could be needed for the adjustment of the ratio, were that the only object in view. Neither is it true that the ratio⁴ of the Mint prices calculated in coined money fluctuated with the alterations of Mint prices. On the contrary it continued to observe a constancy of a very remarkable kind; with one small exception the ratio was almost constant at 11·3 or thereabouts; and within the limits of the arithmetic of the Mint it probably appeared quite constant. These considerations seem to make it needless to further discuss a theory, whose supporters deserve more praise for the ingenuity of their speculations than for the profundity of their research.

One more point in the theory of depreciation requires mention,

¹ By Mr. Oman in the *Transactions of the Royal Historical Society* (New Series), vol. IX. p. 167.

² Oresme (X) *e.g.* states that gold is more valuable than silver, in the proportion of twenty to one or twenty-five to one or anything else (*quaeris alia*). He does not attempt even a guess at the actual ratio.

³ See Table for the course of the Mint-prices of gold and silver and the changes in the ratio.

⁴ *Vide infra* some remarks on the method of calculating the ratio.

namely, the effect of depreciation upon prices. In a well-known passage¹ in the *Wealth of Nations*, Adam Smith has pointed out that the money price of corn remained fairly constant up to the great debasement under Henry VIII, and has thence deduced a theory that the price of silver rose in proportion to the depreciation of the money. Professor Thorold Rogers² upon a wider basis of observation has come to the same conclusion as to the fact, but accounts for it in another fashion; he believes that the value of silver remained constant, but that all prices were habitually reckoned in weight and not in tale.³ Neither of these theories appear wholly satisfactory; but the fact of the constancy of the price of corn is fairly well established by the figures given by Adam Smith, and confirmed by the more extensive investigations of Professor Rogers. If we suppose with Professor Rogers, that the price of corn may be taken as a representative price, we may deduce from its constancy a theory that the monetary policy of the government was of such a nature as to produce no alteration in prices. This policy was of a double nature; in the first place it aimed at making the monetary system of the country an isolated system, which should be unaffected by the policy of foreign states, or the course of international trade; in the next place, and as a consequence, the government, unable to obtain silver from abroad, was continually confronted with the problem of repairing a currency whose bad workmanship and soft material made its depreciation extremely rapid. Now under these conditions prices will be measured in the mean coin; good money may or may not be at a premium, and bad coin at a discount; but in either case the most usual type of coin will remain as a measure of value. Now suppose a recoinage to be effected; if the whole currency be brought back to the original condition, there will be fewer coins in the country and prices will fall. If on the other hand the mean

¹ *Wealth of Nations* (1802), I. 281.

² *History of Agriculture and Prices in England*, vol. I. pp. 173 sqq.

³ Professor Rogers has given no theory of the manner in which he supposes payments to have been made. Had he considered the arithmetical impossibility of paying such a sum as 2s. 7½d. weight in coins weighing 243 to the pound, he might have abandoned his theory as soon as he had formed it. Mr. Seebohm (*Archæological Review*, III. 20) has demolished part of the evidence, on which it was originally based; and it is scarcely necessary to do more than add that the Mint Accounts on the Pipe Roll are balanced in current money and not in weight of silver; and that the mediæval weighing of money was a test of the correctness of its weight, and not a mode of payment. It must also be added that Professor Rogers derived all his information about mediæval money from Ruding, that he has not always understood his authority, and that his tables of prices calculated in grains of pure silver are thus rendered utterly valueless.

coin is taken as the new standard, prices will remain constant in spite of the debasement of the currency, or rather because of it. The constancy of prices becomes, therefore, a proof that the mean penny is from time to time taken as a standard for recoinage, and that the debasement is prompted by a desire to retain the mean penny and not by any less avowable motive. Proof that this conception was present to the minds of the Mint Officials in the reign of Edward III will be found in the account for the Mint on the Pipe Roll of 17 Edward III.

We may now return to the consequences of the partial debasement already described. In one respect it was immediately and reasonably unpopular; the new halfpence and farthings were distrusted¹ because the standard was debased. But beyond this the scheme was a bad one; the rise in the Mint price was not sufficient to induce the holders of either foreign or English silver to sell to the Mint. The exclusion of the penny from the recoinage also further affected its success, and left the currency in a yet more confused condition than before. Besides these considerations it is necessary to remember that from 1338 to 1340 Edward III was making war in Flanders, and that much of the foreign silver, which might otherwise have reached England, must have been intercepted by him to support his campaign there. At any rate at Michaelmas 1343 a more decisive step was taken.

Before entering into the details of this new experiment, it is needful to refer to some currency questions not yet mentioned. So far in studying the administration of the Mint we have not found it necessary to discuss the question of the medium of international exchange. To a very considerable extent bills were, of course, in use; but to this use there is a limit, and at the period under consideration that limit seems to have been reached.

Our ignorance of the methods of finance in use among mediæval merchants does not permit any exact statement of the difficulties encountered. But it is clear that some monetary payments were from time to time necessary, and were more necessary in the reign of Edward III than they had been at earlier periods. Possibly the financial crisis, which was threatening the great bankers of Italy, was one cause; another may be looked for in the appearance of international firms with houses in both London and Bruges,² or perhaps in Lynn and

¹ See *Rolls of Parliament*, II. 143.

² The firm of which Walter de Cheriton was the head may be mentioned as an instance.

Bruges. Whatever the cause may have been, in the year 1343 the English government determined to make an effort to meet this new want. To some extent the want had already provided for itself. Gold florins were in circulation in England and in 1339 the Parliament had suggested that this circulation should be recognised and regulated. In 1343 the Commission then appointed took a further step; they explain¹ that owing to the high value set on florins in Flanders a merchant exporting goods from England to Flanders and taking payment in gold there lost to the extent of one third or more, and suggest that to avoid this loss, experts should be directed to examine the various kinds of florins current in Flanders and report upon the fineness of each; and that a common gold coinage to have a definite silver value should be established for England and, if possible, Flanders, and made the only legal tender in both countries for international transactions. The prohibition of any export of silver was continued.

The attempt to establish an international gold coinage so soon proved a failure, that it is rather of political than economic importance; but the complaint concerning the price of gold in Flanders suggests one or two points worth consideration. Assuming the estimate of the loss caused in this manner to be accurate, we may work out a course of trade as follows. A merchant exporting goods from England to the value of £1 silver, and selling the same in Flanders for gold florins would find on his return to England that he could only buy 13s. 4d. worth of silver for the same. In other words the silver price of gold was far higher in Flanders than in England. Now if this had been due merely to the relative quantities of the two metals in these countries, silver, and not gold, would have come into England. It is however quite clear, that in fact gold, and gold only, was to be obtained in payment of exports to Flanders. The discount at which it stood in England can only be explained by a reluctance on the part of the English nation to accept an unfamiliar and foreign coin. A further question also suggests itself: what prevented the exporter from protecting himself from this loss by taking goods in Flanders instead of gold? Our ignorance of the details of mediæval trade renders it difficult to do more than suggest an answer to this question. It is probable that the difficulty was caused by the disposition of each nation to promote the export trade by all means in its power, and to put obstacles in the way of their own subjects engaging

¹ *Rolls of Parliament*, II. p. 137. Ruding has mistranslated this passage.

in the import trade. As a result of this policy the export and import trades were largely carried on by different persons, often by persons of different nationalities, to the great increase of trade friction and difficulties of settlement.

Appended to the report of the commission of 1343 are the views of the Commons on the subject; they repeat an old suggestion that all exporters of goods should be compelled to bring in silver to some extent in return; and propose that the price of English wool should be raised; but to these two conventional suggestions they add another, namely, that merchants importing goods should be obliged to take their payment in gold, the proper international currency, or in other merchandise. Could this have been brought about, one source of confusion would have been removed from the commerce of the time.

We may now pass on to the administrative results of this commission. On the 20th of January 1344 two Florentines whom the documents call George Kirkyn and Loti Nicholyn, began to coin both gold and silver at the Mint of London. They are described as master-moneys, and no warden was appointed to control them. Under their indenture¹ they were to make three moneys of gold, one to be current at 6s. and to be of the weight of two small florins of Florence, so that fifty should weigh a pound Tower, and the others respectively a half and quarter of this piece. Out of every pound of gold so coined 20s. in money were to be paid to the King, and the Master was to take 3s. 6d. for his own charges, while out of the whole £15 so coined the merchant was to receive back £13 16s. 6d., making that the Mint price of a pound weight of pure gold. It will be noted that no alloy was supposed to be added to the gold, but as the only known method of refining that metal was to melt it for several days with a flux, it is probable that most of the gold employed contained at any rate some proportion of other metals.

Of silver there were to be coined pence and apparently pence only. The debasement of the standard was to be abandoned, and the old amount of alloy employed; but the new coins were to be of the weight² of the coins commonly current in the realm at the date of the indenture; an expression whose importance has been pointed out in the preceding discussion of the theory of debasement. The King was to have 6d. weight on each pound of silver coined, and the Masters 9d. tale for their expenses, while

¹ *Pipe Roll*. 17. Edw. III.

² De pondere sterlingorum comm uniter in regno die confectionis dicte indenture currentium. *Pipe Roll*. 17 Edw. III.

the pound weight was to be coined into 270 pence tale. So far as concerns the merchant this results in a Mint price of 272 pence for the pound of pure silver, a reduction in the price established at the preceding debasement. If we could suppose the Mint Officials to have succeeded in estimating the mean penny with any exactness, we should be entitled at this point to guess at the average rate of wear of the mediæval penny, but this supposition is inadmissible. The¹ weak point of the method of recoinage adopted lay in the fact that it tempted the holders of heavy coins to bring these only to the Mint for recoinage, while they retained the light ones in their own hands; and as the estimate of the mean penny was probably based upon the coins so brought in, there was every probability that the amount of wear would be underestimated. Just as the attempt to issue the debased halfpence had failed owing to the reluctance of holders of silver to come to the Mint, so the present scheme failed in its turn, although the unwise attempt to debase the standard had been abandoned. Nor was the proposed gold coinage more successful; a little, but only a little, gold was brought to the Mint,² a result which appears to be explicable partly by the consideration of the relative ratios of the Mint and issue prices of the two metals at this time, and still more by the extent to which the gold coins were overvalued.

It will be convenient to explain here the method employed in calculating these ratios. That of the Mint prices has been determined by dividing the Mint price of a pound of pure gold by that of a pound of pure silver. The ratio of issue prices in the other column expresses the ratio of the weights of pure metal contained in equal values of the two currencies. The first ratio is or may be affected by changes in the seignorage, the second ratio is not altered unless the weight of the coin is changed. The results are only given to the first decimal place, an amount of accuracy probably exceeding that obtainable by the arithmetician of the fourteenth century. It will be noticed that the ratios given in this table do not always agree with those contained in other authorities.³ We have therefore thought it well to explain with some minuteness the method adopted by ourselves in order to facilitate criticism and correction of our results.

¹ Lowndes, *Essay for the Amendment of the Silver Coins* 1695, which is a proposal for a recoinage on strictly mediæval lines, contains a provision expressly intended to meet this objection; the essay is well worth reading from a mediæval point of view.

² See Table, p. 197.

³ E.g. Ruding (1817), I. 20.—W. A. Shaw. *The History of Currency*, p. 40. It would be for the convenience of students if the meaning of the word 'ratio' could be authoritatively settled.

We may now return to the history of the new gold currency, which was but brief. Within a few months it was declared to be legal tender only in sums above £1, and a new scheme of coinage was put in force ; and as soon as this had been started the old florins were withdrawn.¹

During the next year or so the Mint Officials devoted themselves to experimenting with the gold and silver coinage. It is impossible to discover what object, if any, they had in view while they moved the Mint prices of gold and silver up and down. It may be that they believed any change to be better than none. It may be, again, that they were engaged in a futile attempt to bid against the foreign Mints ; all that can be said with certainty is that none of their endeavours were rewarded by any particular flow of silver to the Mint, while the quantity of gold coined was unimportant.

For these changes we may refer to the table given with this paper, and pass on here to the indenture of 1346. This² established a gold coin to be worth 6s. 8d. of which 42 were to go to the pound Tower, the Mint price of a pound of pure gold to be £13. 8s. 4d. The silver money was to be of the old alloy and weight, and the Mint price was fixed at 275 pence per pound Tower of pure silver. This indenture continued in force for nearly 5 years, but without producing any effect whatever upon the silver coinage. Of gold a small but fairly steady influx took place. In 1351 the final change was made. On the 24th June a new indenture came into force by which the standard pound of silver was to be coined into £1. 5s. tale and the pound of gold into £15. It is impossible in the present paper to deal with the effects of this change ; but we may hope to do so in another article.

At this point the period of debasement ends ; and ends without having done much to restore or reform the currency. It was possible to hazard a guess³ at the quantity of money existing in England at the end of the reign of Edward I. ; no such guess can be hazarded for the year 1351. But a few facts as to the constitution of the coinage can be gathered from the table appended to this paper. By far the greater part of the money in circulation must have dated from before the year 1315, and so have been at least 26 years old, and much must have been even older. The workmanship of the coins was bad and their

¹ The dates of these two proclamations are July 9th 1344, and August 8th in the same year. See Rymer's *Foedera*.

² See *Pipe Roll*. 20. Edw. III.

³ See *Economic Journal*, V. (1895).

enemies were many, so that very few of them can have been of their full value. There are obvious difficulties in forming any trustworthy estimate of the extent of this depreciation; but leaving these difficulties out of account we may say that up to the year 1335 about £2,104,000 in silver had been put into circulation; that under the first schemes of debasement about £139,000 was recoined at a rate not differing much from £1 2s. 6d. to the pound weight; and that between 1351 and the end of the reign £464,200 more were coined at a rate of £1 5s. to the pound. It is fair to conclude that this last sum of £464,200¹ represents an outside estimate of the whole good achieved in this recoinage by debasement; and moreover that this sum must have been the part of the currency least in need of repair, and probably consisted entirely of silver coins weighing more than £1 5s. to the pound. We may account in the following way for the disposal of the estimated £2,104,000 of currency; an unknown quantity hoarded, exported, or spent on war; not more than £464,200 depreciated to a less extent than 5s. in the £, of which not more than £139,000 was depreciated to a less extent than 2s. 6d. in the £; and the unknown remainder depreciated to an unknown extent. How far the new gold coins were to replace this loss is the subject we hope to discuss in another paper.

A. HUGHES.

C. G. CRUMP.

C. JOHNSON.

¹ How much of this was foreign silver, and therefore new coining, cannot be discovered without more prolonged study than we have yet given to the documents.

Date.	Deduction for seigniorage and mintage.	Standard lb. to be coined into	Mint price of lb. of pure metal.	Ratio of Mint prices.	Ratio of quantities of gold and silver in same amount of money.	Amount coined. (In money of account).
Total amount coined between 1274 and 8th May, 1335, £2,104,000						
	£ s. d.	£ s. d.	£ s. d.			£
8 May, 1335	11½ ¹ 1 8½ ²	1 0 3 1 1 0	1 0 9½ 1 3 5	—	—	32,400
20 Jan., 1344 silver.....	1 4	1 2 6	1 2 8½	12·2	12·4 {	23,500
gold 1	3 6	15 ³ 0 0	13 16 6			32,000
10 July, 1344 silver.....	1 2	1 2 2	1 2 6½	11·3	11·0 {	38,200
gold 1	8 4	13 ⁴ 3 4	12 15 0			21,500
23 June, 1345 silver.....	1 2	1 2 4	1 2 8½	11·3	11·0 {	8,700
gold 1	7 0	13 ⁴ 3 4	12 16 4			5,300
28 July, 1346 silver.....	1 2	1 2 6	1 2 10½	11·7	11·5 {	36,500
gold 1	11 8	14 ⁴ 0 0	13 8 4			127,400
24 June, 1351 silver.....	1 2	1 5 0	1 5 5	11·4	11·1 {	913,700
gold 1	9 3	15 ⁴ 0 0	14 10 9			397,000
31 May, 1355 silver.....	9½	1 5 0	1 5 11	11·3	11·1 {	101,100
gold 1	6 8	15 ⁴ 0 0	14 13 4			439,600
5 Mar., 1361 silver.....	8	1 5 0	1 6 0½	11·3	11·1 {	49,400
gold 1	5 0	15 ⁴ 0 0	14 15 0			1,027,600

¹ Seigniorage on English silver 4½d. more.² Seigniorage on English silver 6d. more.³ Coins 6s., 3s., 1s. 6d.⁴ Coins 6s. 8d., 3s. 4d., 1s. 8d.

SENSES OF "CAPITAL."

IN a former article¹ I have endeavoured to show that the incessant attempts to distinguish between capital and "other wealth," are, in reality, half-conscious efforts to distinguish between a "stock" of wealth and a "flow" of wealth, and that the definition of capital sought for is to be found, not in any classification of wealth whatever, but in the two-fold relation of wealth to *time*. Capital is a quantity of wealth existing at an *instant* of time, and is antithetical to a quantity of wealth acquired, produced, transferred, imported, or otherwise changed from one category to another during a *period* of time. A full view of capital would be afforded by an instantaneous photograph of wealth. This would reveal much that has often been called "income," goods of rapid consumption. It would disclose, not the annual procession of such goods, but the members of that procession that had not yet passed off the stage of existence, however swiftly they might be moving across it. It would show train-loads of meat, eggs and milk in transit, cargoes of fish, spices and sugar, as well as the contents of private pantries, ice-chests and wine-cellars. Even the supplies on the table of a man bolting his dinner would find a place in our flashlight picture. So also the clothes in one's wardrobe or on one's back, the tobacco in a smoker's pouch or pipe, the oil in the can or lamp, are capital.

This view simplifies the conception of capital, and rids it at once of most of its difficulties and ambiguities. We are no longer called upon to mark off sharp distinctions between goods which are "productive" and "unproductive," "intermediate" and "enjoyable," "durable" and "perishable," for "supporting labourers" and for "unproductive consumption," nor are we constrained to enter into sophistical disputes as to whether the

¹ *What is Capital?* (ECONOMIC JOURNAL, December, 1896, pp. 509-534). Certain additions which reached the printers after the proof was paged, crowded out the closing paragraphs. In these I had stated that several economists (besides Mr. Cannan, with whom the idea was original) have already adopted the proposed conception of capital. Among them is Professor Hadley (see his *Economics*, New York, 1896, pp. 5, 278), who had independently applied the distinction between a "stock" and a "flow" to problems other than capital and interest.

distinction between capital and "other wealth" lies in the "nature of the goods" or in the "intention in the mind of the capitalist," or whether rented dwellings may be capital to society as well as to the owner, or whether land and natural agents can be separated from their improvements.

But there remain confusions and disagreements of a different order. They relate not to the "extent" of capital but to its "content," not to whether this or that concrete object is capital, but whether capital is concrete at all. When business men speak of the "capital stock" of a company, they refer to a sum abstracted from any specific machinery and ships, or coal and iron. Professor J. B. Clark proposes to give a meaning to capital which shall make it a fund of value and not a collection of objects. Professor Böhm-Bawerk, on the other hand, has no sympathy with such attempts to "disembody" capital. A fund of value cannot "grind corn, or spin yarn, or plough up land, or carry a load."¹ Is there then no common ground between the "concrete capital" of economic science and the "abstract capital" of a business concern?

The instinctive answer to such a question is, that abstract capital "represents" concrete goods, that "capital stock" is a liability item and is balanced on the asset side by the entry of actual land and buildings, tools and utensils. This brings us to observe another difficulty, viz., that, alongside of these material objects the assets often contain such items as bills of exchange, promissory notes, stocks and bonds. Are we to include a bundle of securities in our "stock of wealth" or capital? Or, if we reject Mr. MacLeod's dictum that "credit is capital," can we consistently call the owner of railway bonds or consols a capitalist? To gain clear ideas on such questions, we must note the double distinction which they involve. We must separate wealth from property, and quantities from values, obtaining the following cross division:

Quantities of wealth,	Quantities of property.
Value of wealth;	Value of property.

The conceptions of "stock" and "flow" apply to each of these four items, thus yielding in all eight sorts of magnitudes. The bushels of wheat in a granary are a stock of wealth; the bushels imported into England during a year are a flow of wealth; the value of the stock-in-trade of a merchant is a stock of wealth-value; the merchant's annual sales are a flow of wealth-value; the supply of tickets in the possession of a traveller is a stock of

¹ *Positive Theory of Capital*, English translation, London, 1891, p. 58.

property, the number annually used is a flow of property; the deposits in the Bank of England at a particular date are a stock of property-value; a day's bank clearings through the Clearing House are a flow of property-value. The four sorts of stock are four distinct *senses* (not classes) of the term capital. They may be distinguished as wealth-capital, wealth-capital-value, property-capital and property-capital-value. Very roughly speaking the first is the capital of the ordinary economists, the second is that of Professor Clark, the third is Mr. MacLeod's, and the fourth is the capital of the business man.

The relations which exist between these four senses of capital will depend largely on the definitions which are given to wealth and property. Without pretending to construct definitions satisfactory to all parties, I shall try to point out that definitions are possible which will bind the four senses of capital into a very simple and intimate union, and at the same time correspond closely with both popular and scientific usage.

If by wealth we mean useful appropriated material objects,¹ and by property we mean rights of ownership in wealth, it is evident that wealth and property become correlative terms. But before elaborating this correlation it may be worth while to note the scope of the foregoing definitions. Taken literally, the formula for wealth includes man himself. Man is "material" as truly as a horse or an ox. He is "appropriated" whether the owner be another person, as in the case of slavery, or himself as in the case of freedom. He is also "useful" to his owner. There is, of course, abundant precedent for thus including man as wealth. I need only mention the names of Davenant, Petty, Canard, Say, McCulloch, Roscher, Wittstein, Walras, Engel, Weiss, Dargun, Ofner, Nicholson and Pareto.

If, however, it be desired to exclude man (when free) from wealth, it is only necessary to insert "external" as a fourth modifier in the foregoing definition of wealth. This procedure brings us closer to ordinary usage, but is not free from difficulties. It compels us to say that the self-purchase or emancipation of a slave is not a transfer of wealth, that the object parted with by the master is wealth, but that the object acquired by the slave is not wealth, though the two objects are identical. It also makes it impossible to classify cases intermediate between slavery and freedom, such as serfdom, where the ownership of the individual is divided between himself and his lord. But it is quite unnecessary

¹ Cf. Cannan, *Elementary Political Economy*; J. B. Clark, *Philosophy of Wealth*; *Nouveau Dictionnaire d'Économie Politique*, s.v. "Richesse."

to insist either that man is or is not wealth. Those who take the latter view may readily accept what follows after replacing "wealth" by "wealth and man."¹

Property has been described as rights of ownership "in" wealth, by which is meant rights to services of wealth. Wealth is said to render a service when it is the means of bringing about the occurrence of desirable "events,"² or of preventing the occurrence of undesirable events. It may be said to render a disservice when it occasions undesirable or prevents desirable events. A horse renders a service when it draws a load. It renders a disservice when it eats up oats. Of course the utility of the services must preponderate over the disutility of the disservices, in order that an article may be wealth. Services are therefore inseparable from wealth. They are implied in the first of the three attributes of wealth, utility. An article is useful only as it is expected to render services.³ "We value and desire goods only on account of the material services that we expect from them. The services, as it were, form the economical substance. The goods themselves form only the bodily shell."⁴ To use Rae's term, an article of wealth is merely an "instrument" for obtaining desirable events. A house is simply an instrument for providing future shelter. An orange tree is simply an instrument for obtaining future oranges.

¹ Nor do we need to delay over a contrary objection, viz., that the adopted definition of wealth is too narrow, failing as it does to provide for so-called "immaterial" wealth. Most of such "wealth" turns out, on examination, to be mere *attributes* of material wealth. The "properties and powers of nature," the fertility of the soil, &c., are qualities of land, and no more to be counted as additional wealth than the elasticity of rubber or the sharpness of scythes is to be counted as wealth additional to rubber and scythes. So also skill and knowledge, honesty and courage, dexterity and good health are qualities of man. Not even the general attribute utility can be called wealth. If "wealth consists of utilities," as is sometimes carelessly stated, especially by German writers, then the law of diminishing utility, that equal increments of wealth bring diminishing increments of utility, is a contradiction of terms. Whatever "immaterial wealth" remains, after striking out attributes of material wealth, comes under the head of services of, or rights in, material wealth, and is provided for later on in the text.

² John Rae, *New Principles of Political Economy*, Boston, 1834, p. 92. The writers who have shown the keenest appreciation of the nature and importance of services as an economic concept appear to be Rae, Walras, Böhm-Bawerk, Cannan, and Pareto. Rae's long-neglected masterpiece has recently been revived by Mr. C. W. Mixer in the January number of the *Quarterly Journal of Economics*.

³ But utility must not, for this reason, be confused with services. Where the services of an article of wealth are homogeneous they may be measured by the number or quantity of "desirable events" occurring, the number of strokes of a printing press, the amount of spinning or weaving, of ploughing or reaping (cf. Cannan, *Elementary Political Economy*, London, 1888, p. 50).

⁴ Böhm-Bawerk, *Capital and Interest*, English translation, London, 1890, pp. 226 7.

Given the requisite price ratios, we can always express the value of a complex of heterogeneous wealth in yards of cloth or ounces of gold. But the results are not quantities of wealth. These are obtained only by measuring each kind of wealth in its appropriate unit. The aggregate of wealth is therefore not a sum but an *inventory*. Simple addition may be applied to the value of wealth, if expressed in a common denominator, but not to wealth itself. A "sum of wealth" is meaningless. We cannot jumble together tons of coal, sacks of salt, bottles of wine, and express the result by a single figure.

In precisely the same way quantities of property and value of property are to be distinguished. Property rights are as heterogeneous as articles of wealth and as incapable of being added into a single sum. Rights of the same kind may be added together as where we count a number of shares in the same company or a number of tickets to the same performance, or a number of bonds of the same description. But before we can apply addition to unlike property we must multiply by the proper price factors.

Having effected the separation between wealth and property and between quantities and values we have reached a standpoint from which the relations between the four senses of capital may be surveyed. It follows from the definitions and principles already stated that wealth-capital and property-capital are co-extensive.¹

Wealth, being "appropriated," implies property, and property, being "rights in wealth," implies wealth. To each article of wealth corresponds a bundle of property rights, viz., all rights to services of that wealth, and to each property right corresponds concrete wealth, viz., the wealth to whose services the property right is a title. But, while these principles follow from the definitions adopted, it may of course be claimed that these definitions are inadequate to interpret actual conditions. Such a question can only be settled by recourse to facts.

The cases where doubt or difficulty enter, turn out to be cases "subjective value"; the latter is the former multiplied by the quantity of commodity considered. The marginal utility of wheat being $\frac{du}{dw}$, the subjective value would be $w \frac{du}{dw}$. The dimensions of the two magnitudes are: of marginal utility, uw^{-1} ; of subjective value, wuw^{-1} or u . In this connection I may correct a misprint in the December article. On page 515, line 17, "*ct*" should be ct^{-1} .

¹ MacLeod (*Dictionary*, articles "Capital," "Credit") makes property more comprehensive than material wealth, while Hadley (*Economics*, p. 7) makes "private property" less comprehensive than "public wealth." But the former confessedly adds negative quantities as if they were positive, and the latter draws no distinct line between wealth and welfare.

We are apt to forget these elementary principles when the services of an article of wealth are not marked off and owned by separate persons. Owning a chair is not consciously identified with owning its future services in supporting the human frame. Attention is fixed on the chair, not its services. But where ownership is divided, attention is often fixed on the services and not the physical shell which enables us to obtain these services. We are then inclined to make an untenable distinction, viewing for instance the ownership of specified services, such as the use of rooms at an hotel next week, as an ownership of something in the future, and the ownership of a private house as the ownership of something in the present, whereas both are equally present and equally future—present rights to future services. The totality of the rights to services of an article of wealth are said to constitute the total ownership of that article. If one man owns the right to fish and hunt on a given piece of land, and another owns the right to mine under its surface, and a third owns a ten years' lease of the right of farming and such other services of the land as he may wish or be able to obtain without conflicting with the former specified rights, while a fourth owns the succession to such services after ten years are up, the four persons are said together to own that piece of land completely. This does not, of course, necessitate that they utilise all possible services which the land might be made to render, nor that the services which it renders under joint ownership are the same as those which it would render under single ownership.

Transverse to the distinction between wealth and property is that between quantities and values. These two words are the familiar headings of the two columns in import and export statistics. "Quantities" are the primary magnitudes. "Values" are derived from them by means of a price factor. If we multiply the number of bushels of wheat by the price per bushel, in terms, say of yards of cloth, we obtain the cloth-value of wheat. The wealth, wheat, is measured in bushels; its value is measured in yards. To double the quantity of wheat will not double its value, and if it did, there still remains a fundamental difference of *dimension*¹ between the two magnitudes.

¹ If w be wheat measured in bushels and c be cloth in yards, the cloth price of wheat, p , is of dimension cw^{-1} and the cloth value of a certain amount of wheat is of dimension wp , that is wcw^{-1} or c . Here price and value also appear as of different dimensions (cw^{-1} and c respectively). The value of wheat is not its price, but its price multiplied by its quantity. This is, I believe, the distinction between price and value as used in business, and there seems to be no good reason for departing from it. The same distinction might profitably be applied to marginal utility and

wealth. With the extinction of slavery a man cannot sell himself completely, but he may sell rights in himself, that is, rights to his services. Those who own such claims on him hold a right of ownership in him in the same sense that a tenant or mortgagee owns a claim in a piece of land. The part ownership is usually insignificant, but not always. An apprenticeship or a long labour contract is to "human wealth" what a long lease is to land. If the term of apprenticeship or of contracted labour be extended sufficiently and be paid for in advance, we reach a condition of virtual slavery, just as a 999 years' lease paid for in advance is virtual ownership of land. So also a penniless man deeply in debt is "practically owned by his creditor." He may even be forced to "work out" his debt under the creditor's direction. But if the debtor has other assets than his own person, the creditor's property is quite as much in the man's goods as in his person. Strictly speaking, it is a right in both, just as a share in a railway is a right in more than one article—roadbed, stations, rolling stock, &c. The growing tendency is to limit the extent of a creditor's claim on the debtor's person. The abolition of imprisonment for debt, the writ of *habeas corpus*, and bankruptcy laws are designed to prevent undue encroachment of the rights of one man over another. The same tendency is illustrated in the extension of the principle of limited liability. In a primitive community debts are personal affairs; in the modern business world they are almost impersonal. The mortgagee, if indeed he thinks beyond the paper document which he holds in his safe, regards the title as a "mortgage upon land" rather than on a person. Properly it is both. We can reduce the personal element to a minimum, but we cannot make it zero. A mortgage on land will not draw an income automatically from land. The mortgagor must intervene, sell his crops, and turn over the stipulated sum. These are personal services to which the mortgagee has a right.

Claims on a person or a joint claim on him and his external property are called his liabilities. The person's property, including that on which claims are outstanding, is called his assets. What is a liability to him is therefore an asset to the claimant. The latter being called positive and the former negative, the two items cancel when the aggregate property of the two persons is considered. An inventory of the property of society or of the world after such cancellation gives the ownership of the world's wealth—capital or stock of useful appropriated material objects. This will be true whether or not corporations,

firms, partnerships, governments and other "legal persons" are taken into account. In the inventory of such fictitious persons, the assets and liabilities are necessarily equal (for the "corporation" is just as truly in debt to its stockholders as to its bondholders). A corporation is simply a dummy set up to hold wealth owned in fractions, a sort of clearing house for the entry of debits and credits of real persons. It is, however, convenient to consider legal persons¹ as well as individuals. We begin by entering in our inventory the assets of a railway company, (rights to) engines and buildings, roadbed and bridges, furnishings and fuel. To dispose of the liabilities, instead of cancelling them against the assets already entered, we regard each item as cancelled by the same item in the assets of the creditors.² Thus if the company's books show a liability to John Smith of ten shares of stock, the books of John Smith will show these same shares as assets. The two items destroy each other when we combine the accounts of the company and John Smith. Dropping, in this way, all items in the liabilities of the company by pairing each with its corresponding asset in private accounts, we find left in our inventory the wealth held by the corporations and whatever property John Smith and the other creditors of the company own, exclusive of their rights in the railway. If this outside property consist solely of undivided rights in wealth, such as unencumbered houses, lands, furniture, our inventory is already found to contain nothing but a stock of useful material

¹ Where property is held jointly, but the joint holders are not legally incorporated, as in the case of voluntary associations, and the informal joint ownership of a family, we may, in order to carry out the method in the text, make the fiction of a legal person. Farmers who have clubbed together to buy a reaper may be considered as forming a virtual corporation with unwritten stock.

² This method saves the trouble of making up the whole estate or property in an article by collecting the scattered rights in it. Another method would be to cancel a person's liabilities against his own assets instead of against the assets of his creditors. In this method "legal persons" drop out entirely, as their assets and liabilities cancel each other. The wealth held by the corporation is reached by putting together all the individual rights in it. For debts between individuals we may take, as an example, a farm mortgage held by a merchant. The mortgage is a liability to the farmer, and cancels a part of the farm property in his assets. The net rights of the farmer combined with the rights of the merchant make up the complete estate. Here the mortgage enters twice as an asset—viz. to the farmer and the merchant, and once as a liability—viz. to the farmer. If a banker has a lien on the mortgage, this lien enters three times as an asset and twice as a liability. Being included in the mortgage, it enters every time the mortgage enters, that is twice as asset and once as a liability; and besides this, it is a liability to the merchant and an asset to the banker. Here the farmer owns his farm less the mortgage encumbrance. This residuum is owned by the merchant less the lien encumbrance, and the latter is the property of the banker. The three together constitute the ownership of the farm. In general a right enters once more as asset than as liability.

possessions. But if John Smith owns rights in another company, the screen of property which covers wealth cannot be completely rolled aside until we include the accounts of the new company and its creditors. Or again, if our original railway company itself has among its assets part rights instead of wealth, for instance a lease of another road, we must enlarge our circle to include the accounts of this other road. We then cancel the lease as asset and liability between the companies. In this way all debts and encumbrances, shares and fractional claims in wealth ultimately disappear from view and leave disentangled and in clear relief the world's stock of physical wealth.

Tracing in the same way the value of property rights instead of the property rights themselves, we find the total value of the world's property to be simply the total value of the world's wealth. If we adopt the method of cancellation explained in the preceding note, that is, subtract the value of each man's liabilities from that of his assets, we have what is known as his capital value. This represents his fractional share in the total stock of wealth. All these relations hold true whether or not the valuations employed are correct ones. We are therefore quite independent of theories or methods of valuing wealth at times other than the moments of actual exchange or in cases where only part rights are ever sold, and we need not enter into the controversies over methods of valuing public parks or the "human capital"¹ of a country.

The foregoing results flow from the definitions of wealth and property with which we started. The fact that these results coincide perfectly with the ideas embodied in the "capital account" of actual business bookkeeping is offered as evidence that the definitions chosen are able to do the work required of them. It may seem, however, that some cases are too refractory to be brought under our system. As types of such apparent exceptions may be especially named, (1) paper money and bank credit in general, (2) the "good will" of a business, the "custom" of a tradesman, and the "practice" of a physician, (3) patents and copyright. These are all regarded as property but are they so recognised under the definition? Are they rights in concrete wealth?

According to Mr. MacLeod:—

¹ Nicholson (*The Living Capital of the United Kingdom*, ECONOMIC JOURNAL, Vol. I. pp. 95-107) estimates the "human capital" as about five times the "dead capital."

"When I deposit my furniture, etc., in a warehouse, and receive a ticket, or warrant, to certify my right to it, . . . the property in the goods still remains in me, and the ticket and the goods are ONE property; . . . But if I deposit my money in a bank and receive an instrument of credit, entitling me to demand an equal sum back at will, . . . the instrument of credit and the money are totally separated, and form two properties. There is a new right created."¹

The fact which Mr. MacLeod has here in view is that the banker does not retain the money as would a safe deposit company, but invests it freely. The "deposits" much exceed the actual cash in bank. But they are claims, not simply on that cash, but on the general assets of the bank. To take a case intermediate between a bank and safe deposit company, the owners of wheat often deposit it in elevators and accept warehouse receipts entitling them, not to the identical wheat deposited, but to an equal quantity. The depositors own the wheat jointly, but no one owns a specific portion of it. The principle would not be altered if the contents of the elevator were wheat and rye, the depositors of which may receive back either at an agreed ratio; nor would it matter if the ratio were variable with the market, and the depositor of wheat could require that his share be paid in wheat even if the elevator company had to exchange some of its rye for wheat. In this case the company would require capital of its own (wheat and rye) in order to insure solvency. Substitute gold for wheat, and property in general for rye, and we have a bank. The depositors, instead of accepting any miscellaneous item out of the bank's assets, which they could exchange for gold, can require the bank to do this work for them. A "deposit" is simply a property right in the bank's assets, plus a right to the banker's services in so managing those assets as to be able to pay gold on demand.

Bank notes are to be treated in precisely the same way. Fiduciary money is not, therefore, an addition to the capital of a country. It is an asset to the holder and increases his capital-value, but it is an equal liability to the issuer. It economises and utilises wealth, but it is not wealth.² Irredeemable paper money has sometimes been described as a forced loan or a species of taxation. It is usually issued by a needy government for war

¹ *Dictionary of Political Economy*, p. 351. The doctrine enunciated seems the more remarkable, as many passages in support of it assert in substance that property is *not* independent of material wealth, e.g. p. 345 on land, and pp. 353, 355 on credit, where property is treated as rights in land and persons. For an excellent refutation of Mr. MacLeod's theories, see Knies, *Der Credit*, Erste Hälfte, Berlin, 1876.

² Cf. Roscher (*Political Economy*, 13th edition, § xc.), who, however, in the first four editions enunciated a somewhat different doctrine.

supplies, and is in the nature of a requisition on the community to furnish goods, services, or quittance of debt. Anybody is liable to be forced to accept it, and, we may say, cash it in some one of these ways. It is a cheque rather than a note, an order to pay rather than a promise to pay. It is an asset of the holder and a liability of the government or of the general community which the government represents.

"Goodwill" is often pictured as a kind of ethereal essence attached to or hovering over a "business." A little reflection will show, however, that it is simply a collection of promises or quasi-promises. We have seen that a promissory note is a claim on wealth—a man's own person or his external wealth, or both. It is still a claim on wealth, though a more precarious one, if the promise is not written but verbal, and again if it is not verbal but tacit. In many countries a man who gets into a cab or sits down to dine in a restaurant, makes a tacit promise to pay a "fee" at the end of the drive or dinner. When a "newspaper business" is sold there are many subscriptions which have not been collected. The buyer receives the right to these dues, which are actual promissory notes. But besides these explicit promises the subscribers have tacitly agreed to renew their subscriptions next year and thereafter as long as they live, or remain in the locality, or are satisfied with the paper. These quasi-promises of the subscribers are their "goodwill" toward the paper, and may be sold as a precarious but no less real right.

Patents, copyrights, and other government monopolies are closely similar. An author writes and prints a book with the guarantee that others will refrain for a given period of time from copying it. To thus refrain is to render the author (or his assignees) a service. The author, being entitled to these services of forbearance, owns a part right in the persons who thus forbear. The case is quite parallel to that, which has been known to occur, of a manufacturer who is under contract not to run his factory. When, for certain supposed benefits, a community surrenders its freedom to copy a book, those who feel the restraint are publishers. We see this clearly when we consider what goes on where copyright is absent, as it is between nations. If the publishers of the *Encyclopædia Britannica* held the written promises of American publishing houses not to pirate their work, we should find no difficulty in perceiving that the English publishers owned a claim on the American publishers strictly similar to a promissory note. Legal copyright conveys just such a claim but through the agency of government.

It may seem to some persons that, even if in every case actually occurring property is associated with wealth, yet this association is an accidental one, that property is in essence not a right to things, but a right to actions—a license or permission to *do* something. But this view reduces us to the one adopted. It must be evident that to act in this physical world is necessarily to make use of physical objects—persons or things. The right even to walk across a piece of land is a right to use that land. Moreover, the physical objects used must always be wealth, for the right to use useless or unappropriated articles is not called property.

We need delay over but one other apparent objection. In tracing the correspondence between property-capital and wealth-capital, promises, mortgages, &c., have been treated as *present* rights in *present* wealth. But a promise of wealth to-morrow is not the ownership of that wealth to-day. May it not be possible, —is it not in fact common—to own titles to more wheat than is yet in existence? Are we, therefore, not forced to admit, with Mr. MacLeod, that credit, reaching out into the future, lays claims to more wealth than the present existing stock? The puzzle is easily solved. We have already seen that the title to present wealth is identical with the title to its future services. It is equally clear that a title to future wealth implies a claim on present wealth by the services of which the future wealth is to be acquired. To own next year's fruit is to own a right in present fruit trees. To own next year's wheat is to have a claim on the present farm, farmer and farm implements. To own a chair or table yet unmade is to own a claim on (the assets of) the carpenter. No future commodities can be owned in the present except as claims on the existing requisites of their production. We cannot own next year's goods suspended in mid-air as it were. We can own them only through some existing source, land, persons, or other capital.

There is nothing in this which conflicts with ordinary usage. Railway stocks or bonds, though held exclusively for the sake of future returns, are always looked upon as present property in the present railway. When one person owns a lease of land and another owns the reversionary title, the latter, rather than the former, is called "the" owner, though the benefits accruing from this title are the more future of the two.

With these explanations, and such as the reader will readily supply for himself, the foregoing statement of the relations between the several senses of capital may serve to harmonise

several ideas in economic science usually supposed to be at variance. It may also serve to bridge over the wide chasm separating the capital of economic science from the capital of the business world. One may usually search in vain through chapters on "capital" for any reference to "assets," "capital stock," or "the capital account." It would lead beyond the subject of the present article to discuss systematically the various applications and classifications of each of the four sorts of capital. To indicate, however, what is included under these two heads, an instance of each may be given.

The most important practical application of capital in its fourth sense is to the "capital" of a joint stock company, *i.e.*, the difference in value between its assets and those liabilities due to others than the stock-holders. It is important to distinguish between real and nominal capital. The latter is the "capitalisation." It can be kept equal to the former only by a constant "recapitalisation" and the issue or recall of stock. As such changes are quite impracticable except at long intervals, we are content to find the true capital value by multiplying its nominal amount by its selling price. If the assets are "active" securities whose value is daily registered in the market, they may be frequently revalued, while if they are constantly being sold and the proceeds reinvested, or if profits are turned back into the business, new assets enter. In these ways the assets side of the account is altered, and to make the books balance without recourse to recapitalisation, an item called "surplus" is inserted.

The most natural classification of capital in its first sense is into "human capital," land capital, and what for want of a better name we may call products. This is the classification of Walras¹ and corresponds roughly to the so-called "three requisites of production." Another important classification is into business capital and private or personal capital. The distinction cannot be drawn with perfect precision. In early times it did not exist. Capital consisted of stores of food kept in subterranean caverns.² With economic progress, accumulations took on diversified and specialised forms. A difference began to be marked between those portions associated with private and personal use and those portions devoted more especially to exchange. The latter were gradually set off by themselves, first

¹ Except that (as explained in my previous article) he excluded altogether those "products" which are destroyed by a single use.

² Cunningham, *Growth of English Industry and Commerce*, Cambridge, 1890, p. 33.

in special rooms and afterward in special buildings, until at length we reach the modern shop and factory so totally separated in position, contents, and uses from the private dwelling.

Such and other distinctions of classification, whether well-marked or not, are of undoubted importance in descriptive economics. It seems certain, however, that the *conception* of capital useful in economic analysis is not to be sought in that direction. To fully justify this opinion, it will be necessary to show how the alternative conception aids in constructing a "positive theory of capital." This must be postponed to another occasion. I will here only observe that classification has never been an efficient instrument of scientific analysis. It comes forward in what Bacon called systems or pseudo-sciences. Physical science among the Greeks was classificatory; modern physics is analytic. The former was barren, the latter is progressive. Analysis was not aided by classifying the world into light and heavy objects; it required instead the conceptions of density and weight. "Natural history" gained little from drawing the distinction between plants and animals. It began to be a science when Darwin introduced the abstract ideas of variation, heredity and selection. In economic science itself the greatest progress has been made in those departments where analytic distinctions have been put uppermost and the least where classificatory distinctions have been depended on. The conception of marginal utility has borne rich fruit. The distinctions between productive and unproductive labour and between "capital and other wealth" have borne little or none.

IRVING FISHER

THE INCIDENCE OF TAXATION UPON IRELAND

DE BEAUMONT, in his remarkable book on Ireland written about sixty years ago, said that "the history of Ireland is the history of the poor." In the same way the present question of the taxation of Ireland is, at bottom, the question of the taxation of the poor. If, as I think, the researches of the late Commission on Financial Relations have proved that Ireland, looked at as a whole, contributes to the revenue of the United Kingdom a sum largely in excess of that which she would contribute according to the ratio of her relative wealth, the reason is that the poorest classes throughout the United Kingdom contribute too much, and that in Ireland a much larger proportion of the population than in Great Britain consists of these poorest classes. As Nassau Senior said in his evidence before the Select Committee of 1864, Ireland is "not so much poor because she is overtaxed, as overtaxed because she is poor."

The disproportionate excess of the poorest classes in Ireland is largely due to the political history of that country. During the eighteenth century her possible industrial development was consistently crushed or thwarted by the commercial policy of a powerful neighbour. Driven back to exist almost entirely upon agriculture, the Irish have, since the middle of the present century, suffered from our modern *laissez-faire* and free-trade policy, and, during the last twenty years, from the rapid fall of agricultural prices. These misfortunes have been enhanced by the political discontents arising from social causes.

In the matter of taxation the Irish for half a century after the Union were protected from contributing largely in excess of their means by considerable differences in the system of taxation, and especially by the lowness of the duty on whisky, the chief alcoholic article of consumption by the poorer classes in Ireland.

The wiser advocates of the Irish case are agreed in admitting that the alleged over-taxation of Ireland in proportion to the relative means of the population did not begin till the period 1853-1860. In the course of that period it may be said broadly an annual sum of about two millions was added to the permanent revenue contributed by Ireland. About a quarter of this additional revenue was derived from the extension of the income tax to Ireland, the rest from the trebling of the spirit duties.

The Irish case is :—

1. That the circumstances of Ireland at that time, especially of the poorest classes, upon whom, chiefly, the increase of whisky duties fell, did not justify that increase of taxation.

2. That the taxable capacity of the Irish population, if it has not since then absolutely declined, has, at any rate, not materially increased.

3. That the proportion of the poorest classes to other classes is much larger in Ireland than it is in England or Scotland.

4. That under the present system the incidence of taxation falls much more heavily upon the poorest classes of the United Kingdom relatively to their means than upon other classes.

5. That the result of these facts is *summarised* by the finding of the late Royal Commission that Ireland, looked at as a collective whole, contributes to revenue more than two millions a year in excess of that which she would contribute if assessed in the ratio of her relative taxable capacity.

6. That in view of the constitutional rights secured by the Act of Union the poorer classes in Ireland are, under existing circumstances, entitled to some kind of special relief.

I shall state shortly the argument in support of the first five of these allegations.

1. *That the circumstances of Ireland in 1853-1860, especially of the poorer classes, did not justify the increase of taxation.*

The recent Commission were unanimously of this opinion, nor has it been seriously impugned by their critics. It was fully admitted by the ablest of those critics in the last January number of the *Edinburgh Review*. The evidence upon which the Commissioners took this view is summarised in paragraphs 78 to 81 of the draft Report by Mr. Childers. Among other facts he points to the effect upon Ireland of the repeal of the Corn Laws, involving the rapid destruction of the Irish export trade in cereals, to the immense loss caused by the famine years and their direct and indirect results, to the decline in Irish manufacturing industries due to the general centralising process brought about

by the development of railways and mechanical invention. He summons up as witnesses to the wretched condition of the poorer classes in Ireland in the middle of the century the Report of the Devon Commission in 1845, and that of the Select Committee of the House of Lords in 1852. He quotes the striking evidence given by Mr. Nassau Senior before the Select Committee on Irish Taxation in 1864, to the effect that "Ireland was by no means prosperous, the most suffering country almost in Europe," that it had been impoverished by bad seasons, emigration, absenteeism, the repeal of the Corn Laws; that it was "a country in which the mass of the population are worse fed, worse lodged, worse clothed, worse paid than any part of Europe to which my travels have extended." The period 1853-1860 certainly seemed to be a most unsuitable time for making an immense addition to the burdens of Ireland.

2. *That the taxable capacity of the Irish population, if it has not since then (1860) absolutely declined, has, at any rate, not materially increased.*

This view was held by Mr. Childers, and set forth in paragraphs 248-261 of his draft Report. He based his opinion in part upon the fact that the total gross assessments to income-tax had, between 1861 and 1893, increased in Great Britain by 105·3 per cent., but in Ireland by only 27·8 per cent., and that the assessment to death duties had, during the last ten years of that period, increased by 28 per cent. in Great Britain, but in Ireland had remained quite stationary. He referred also to the "vital statistics," which show that the birth rate and marriage rate are much lower in Ireland than in either England or Scotland, that there is in Ireland a greater proportion of people over fifty years of age and a smaller proportion in the prime of life than in Great Britain, and that there is in Ireland a much larger proportion of deaf mute and mentally deranged persons. "All these facts," Mr. Childers said, "seem to be signs that the total energy and productive power of the Irish people, as a whole, have been for some time below the proper standard."

Still greater weight was attached by Mr. Childers to the figures which show the simultaneous decline in Ireland both of agricultural and manufacturing prosperity. With regard to agriculture, the following rough estimate was given to the Commission by Dr. Grimshaw, the Irish Registrar-General:—

Average Value of Crops and Stock in Ireland.

	1851-55.	1866-70.	1884-88.	1889-93.
	£	£	£	£
Crops	58,587,000	45,365,000	35,752,000	34,643,000
Stock	39,345,000	59,630,000	55,827,000	54,312,000
Total	97,932,000	104,995,000	91,579,000	88,955,000

It thus appears that the one great staple industry of Ireland is much less productive of value than it was thirty years ago, and that the great decline which has taken place has been in that branch of it, the raising of crops, which gives most employment to labour. In England, looked at as a whole, the decline of agriculture has been far more than balanced by the increase of manufacturing and commercial industry. In Ireland the decline of agriculture has been accompanied by the decay of such industry. The assessment of land to income-tax reached its highest point in England in 1880, when it amounted to £52,041,261. Since then it has fallen to about £40,000,000. In 1860 it was about £43,000,000. Meanwhile the assessment of houses has risen in England from £48,779,076 in 1860 to £131,860,499 in 1894. In Scotland a similar development has taken place. But in Ireland both the urban population and the value of urban property remain very nearly where they were in 1860. In 1851 the population of all Irish towns of 2,000 people and upwards was 1,218,676. In 1891 it was 1,244,113. During the same period a population of 1,849,507 had been added to the metropolitan district of London alone.¹

I now proceed to a proposition which naturally follows from the economic history of Great Britain and Ireland during the last half century, viz.,—

3. *That the proportion of the poorest classes to other classes is much larger in Ireland than it is in England or Scotland.*

By the poorest classes I mean those in which the income of a family group is less than (say) twenty shillings a week, including

¹ Mr. Charles Booth read before the Statistical Society in 1886 a paper, with no reference to questions of taxation or politics, in which he analysed certain results given by the annual Census Returns from 1841 to 1881. At the request of the Commission he brought this paper up to date by taking in the results of the Census of 1891. The paper, printed in one of the volumes published by the Commission, gives a vivid picture of the industrial decline of Ireland.

No doubt in these last years, from 1881 to the present date, the pace of Irish industrial decadence has not been so rapid as it was before. Within the last few years, indeed, there have been some most encouraging symptoms of a true revival.

the value of any produce derived from gardens, allotments, or agricultural holdings, and consumed at home. Within this limit fall the great bulk of agricultural and unskilled labourers throughout the United Kingdom, and of the peasant occupiers in Ireland. The mass of the artisan classes are above the line of this definition. The Census of 1891 disclosed the fact that no less than 34·7 per cent. of the total Irish population were living upon agricultural holdings of less than £15 rateable value. Out of the 486,865 agricultural holdings in Ireland, 333,464, or 68 per cent., did not exceed 30 acres. Out of these there were 268,530 not exceeding 20 acres, 212,992 not exceeding 15 acres, and 150,200 not exceeding 10 acres. The useful tables of occupations of the inhabitants of the United Kingdom and its several divisions show the immense inferiority of Ireland in every branch of higher paid labour, commercial and industrial. The detailed tables are followed by this abstract or summary :—

Proportions per 1000 of all Ages.

Class.	England and Wales.	Scotland.	Ireland.	United Kingdom.
Professional.....	32	28	44	33
Domestic.....	66	50	51	62
Commercial.....	48	45	20	44
Agricultural and Fishing ..	46	62	200	67
Industrial	253	256	140	239
Unoccupied.....	555	559	545	555
Total	1,000	1,000	1,000	1,000

Ireland is in fact, on the whole, a country of agricultural labourers, small farmers whose money incomes are, for the most part, no higher than those of agricultural labourers, and are subject to large deductions for rent and local taxation, unskilled labourers and unoccupied persons. It has an aristocracy much impoverished, and a well-paid official class. It is deficient to a great degree in those middle, trading, and skilled-artisan classes which are the economic backbone of England and Scotland. A striking proof of this deficiency is afforded by statistics as to the savings of the people. During the last decade the proportion of Post Office Savings Bank capital held in Ireland has been about one-eighteenth of that of the United Kingdom, although her population is about a ninth of the whole. But her share of industrial and provident societies' capital has been only about 1 to 790.

Sir Robert Giffen has shown that in almost every trade the level of Irish wages is lower than that of wages in Great Britain. It is true both that a large proportion of the Irish population is employed in the worse paid occupations, such as agriculture, and that where the employment is the same the average wage is lower. "While," he says, "wages in Ireland are thus lower, employment for employment, than in Great Britain, the average per wage-earner, compared with the wage-earner in Great Britain, is farther brought down by the preponderance in Ireland of employments paid at an inferior rate to others."

I proceed to the important and central proposition :—

4. *That under the present system the incidence of taxation falls much more heavily upon the poorest classes of the United Kingdom relatively to their means than it does upon other classes.*

Since the Reform Bill of 1830 the tendency of our fiscal legislation has been constantly towards simplification and reduction of the number of taxes. One result of this process has been to increase inequality in the incidence of taxation. Arthur Young, than whom no one has possessed more practical common sense, wrote :—

"The mere circumstance of taxes being very numerous, in order to raise a given sum, is a considerable step towards equality in the burden falling upon the people; if I was to define a good system of taxation, it should be that of bearing lightly on an infinite number of points, heavily on none. In other words, that simplicity in taxation is the greatest additional weight that can be given to taxes, and ought in every country to be most sedulously avoided."

This opinion of Arthur Young's was quoted in Parliament by the sagacious Sir George Cornewall Lewis in the year 1857, when the policy opposite to that recommended by Arthur Young was in full torrent, and most of the remaining duties were being swept away. Sir George Lewis said, "That opinion, though contrary to much that we hear at the present day, seems to me to be full of wisdom, and to be a most useful practical guide in the arrangement of a system of taxation." Sir George Lewis was then Chancellor of the Exchequer. His dictum brought upon his head a vigorous denunciation from his predecessor in that office, Mr. Gladstone, on the ground that it was a total condemnation of the principles by which Parliament had been guided "for the last fifteen years." Consequently the view commended by Sir George Lewis must be wrong, although it had been held and acted upon by generations of financiers

preceding those fifteen years of enlightenment. Lord John Russell, in the same debate, while arguing that Sir George Lewis could not have intended to abandon the true principles of finance, said that "he should have been quite willing to have spared this part of his speech." In the circumstances of the time it was indeed a mere academic suggestion. The policy of Sir Robert Peel and Mr. Gladstone had already swept away a great number of sources of revenue, duties on foreign corn and meat and dairy produce, duties on raw materials of manufacturing industry, the taxes on "cleanliness, light, and knowledge," *i.e.*, on soap, windows, and newspapers. The process continued in spite of Sir George's warning. The remaining small duty on wheat, then bringing in £800,000 a year, went by the board in 1869, the duties on foreign timber and on pepper were swept away in 1866, and after successive reductions, the duty on sugar, then producing about 5½ millions of revenue, was abolished in 1874. The triumph of Liberal Middle-Class Financial Policy was complete. In place of a system of taxation "bearing lightly on many points, heavily on none," we now enjoy that "simplicity in taxation," which, according to Arthur Young, "is the greatest additional weight that can be given to taxes"—to those on whom they fall.¹

Modern taxation falls upon income exceeding £160 a year, upon capital transmitted at death exceeding £100, upon commercial transactions, upon the consumers of beer, spirits, tobacco, wine, tea, and a few minor commodities. The selection of these commodities is somewhat arbitrary; the amounts of duty raised upon them are in very unequal proportions. Upon two of them, spirits and tobacco, the fiscal hand descends with tremendous severity. The average import value of a gallon of rum, for instance, is 1s. 4½d., the duty levied on that gallon is 11s. 4d. A pound of unmanufactured common cheap tobacco is worth when landed 7d.; no less than 3s. 2d. is added by the Customs. It follows therefore that upon every ounce of tobacco which an unskilled labourer smokes, allowing for some increase in retail weight by the watering of the tobacco, he contributes 2d., about, to the revenue of his country. At this rate a very moderate smoker might supply the Treasury with 4d. a week, or about 17s. a year. It is a large contribution on a single article from an annual income of £40 or £50. If the man, as is natural, refreshes himself with beer or whisky or tea, he still further con-

¹ For the grounds of a different opinion, see Bastable, *Public Finance*, Book III., ch. IV., § 5.—*Editors*.

tributes. The present duty on tea is 4*d.* a lb. The spirit duty is 10*s.* 6*d.* the proof gallon; the beer duty 6*s.* 9*d.* the gallon.

Quite apart from any consumption of spirits or beer, the tea and tobacco duties press very heavily upon the smallest incomes. In the debates of the House of Commons last March, Mr. Morley referred to a collection of household budgets of poor Irish families contained in the first annual report of the Congested Districts Board. It is worth while to set out one of them in full. The budget selected is fairly typical of the rest. It is neither among the highest nor the lowest incomes in the group. The expenditure upon tea and tobacco is much the same in all the budgets.

Receipts and Expenditure of a Family in ordinary circumstances, the Receipts being derived from Agriculture, Fishing, and Home Industries.

RECEIPTS.		EXPENDITURE.	
	£ s. d.		£ s. d.
Sale of heifer or bullock	4 10 0	Rent	2 0 0
„ „ five sheep.....	3 15 0	County Cess	0 5 8
„ „ pig.....	3 10 0	Tea	5 17 0
„ „ eggs	2 4 4	Sugar	1 19 0
„ „ flannel or tweed.....	3 10 0	Meal	7 11 0
„ „ corn	0 15 0	Flour	1 17 6
„ „ fish	8 0 0	Clothing.....	6 8 6
„ „ knitting, etc.	1 0 0	Tobacco	2 7 8
		One young pig	0 15 0
		Implements, etc.	1 4 9
	<u>27 4 4</u>		<u>30 9 1</u>

The home produce, not sold but consumed by the family, was in this case valued at from £5 10*s.* to £10. Taking tea and tobacco at average retail prices, a calculation will show that this family, out of its total money income of about £30, must have paid at least £2, or as much as its rent, and probably more, to the Imperial Treasury upon these two articles of consumption.¹

Under our present system the whole burden of indirect taxation (except for a small proportion derived from wine, coffee, dried fruits, &c.) falls upon those who consume tea, tobacco, beer, and spirits. In a family living upon an income of 20*s.* a week, or less, the consumption of these articles is usually nearly as great as it is in a family living on forty or fifty shillings a week. The family living on the higher income probably consumes far more meat, pepper, sugar, butter, cheese, soap—has more

¹ The total true contribution from Ireland upon tea is estimated at about £525,000, and upon tobacco about £1,218,000, making on these two articles a total contribution of £1,743,000. This would come to nearly 8*s.* per head of present population, or about £2 per family group.

windows in its house, reads more newspapers—but from all these things taxation has long been removed. The skilled artisan and lower middle class families, living on incomes of from £80 to £160 a year, have conquered for themselves a most favoured position in the matter of imperial taxation. They do not, like the class above them, contribute to direct imperial taxation, they contribute little more through taxed commodities than do the class below them. It is well for the prosperous Lancashire artisan; less well for the Kerry peasant extracting from a ten acre holding, supplemented by occasional donations from children in America, and migratory labour, a painful £20 or £30 a year, not eating meat except on occasions, never touching the foreign dairy produce which lowers the price of his own, but paying to Government 4d. upon every two ounces of tobacco which he consumes to pass the weary hours and stave off hunger, 4d. on every 1 lb. of tea with which he tries to wash down potatoes or meal; heavily also upon the whisky with which he defends his insufficiently nourished body from the cold and damp. When Mr. Balfour uses to such a one the celebrated “free-will” argument of the Manchester speech, the poor man might reply in the words which Maggie Mucklebackitt (in Scott’s novel) uses to the Antiquary: “Ay, ay, it’s easy for your Honour and the likes of you gentlefolks that hae stouth and routh, and fire and fending, and meat and claith, and sit dry and canny by the fireside—but, an ye wanted fire and meat and dry claise and were deeing o’ cauld, and had a sair heart whilk is warst ava’, wi’ jist tippence in your pouch, wadna ye be glad to buy a dram to be eilding and claise and a supper and heart’s ease into the bargain till the morn’s morning?”

Countless poor people in Ireland, and England too, never eat meat, save perhaps a little domestic bacon, except at high festivals, but smoke the pipe every day. To them meat is, practically, the luxury, tobacco the daily necessity of existence. We say sometimes that we tax luxuries, not necessities. We do not, as a matter of fact, tax most luxuries at all. Where are the taxes on such pleasures of life as lace, silk, fine cottons and linens, delicate foreign fruits and condiments, German toys and Parisian sweets, waters from foreign springs, manufactured elegances of apparel, and a hundred other articles consumed by the wealthy and well-to-do and undreamt of in the wildest aspirations of the poor and needy? But, it is answered, tobacco, spirits, and beer are “pernicious luxuries”; the duties upon them are intended to act as deterrents as well as to raise revenue. Here we sail

poor
aspirations

dangerously near to the coasts of fiscal Pharisaism. The object of taxation is not to promote certain kinds of morality, but to raise *equitably* the money required for national expenses. If it is sincerely desired to crush out, or seriously diminish, smoking and drinking, let us raise the duties until this result is attained. But no Chancellor of the Exchequer will for a moment consent to raise them so as to impair revenue by checking consumption. Three years ago Sir William Harcourt placed an additional 6*d.* upon spirits: The following year he took it off upon the very ground that the increase had checked consumption, and that the financial experiment had not therefore been successful. The question at the Treasury is "How much more will beer or spirits carry without seriously diminishing consumption and so reducing revenue?"

At present about eleven millions a year are raised from tobacco, four millions from tea, twenty-two millions from spirits, home and foreign, and eleven millions from beer. The revenue derived from other subjects of indirect taxation (except, perhaps, for 1½ millions from wine) may be termed insignificant. If it be desired to tax the people with equity according to their varying means, it will be necessary to effect substantial reductions in these duties, or some of them, and to replace the revenue thus lost by means of taxation bearing less heavily or not at all upon the poorest classes of the community. We might increase the income tax, or lower the line of exemption from income tax, or we might place duties upon many imports from abroad consumed by the wealthier and well-to-do classes. Under the term "well-to-do" I include those classes, now so lightly hit by taxation, whose family income ranges from about £80 to £160 per annum. Advertisements, amusements, and so forth might provide minor sources of inland revenue. In a word we must, if equitable distribution of burdens is indeed our object, retrace, *for some distance*, the road followed during these last fifty years, and forgo some of our beautiful fiscal simplicity. We must recognise that our Statesmen of the last fifty years have been a little less wise, and their predecessors a little less foolish, in fiscal matters than we have hitherto imagined.

If I am right in contending (1) that the proportion of the poorest classes in Ireland to the rest of the Irish population is much higher than the proportion of the poorest classes in England and Scotland to the rest of the English and Scottish population, and (2) that taxation under our present system falls much more heavily upon the poorest classes relatively to their

means than it does upon the classes more well-to-do, there can be no difficulty in accepting the next proposition, viz. :—

5. *That the result of these facts is summarised by the finding of the late Royal Commission that Ireland looked at as a collective whole contributes to revenue more than two millions a year in excess of that which she would contribute if assessed in the ratio of her relative taxable capacity.*

All the Commissioners, except Sir Thomas Sutherland, were led by various tests to place the relative taxable capacity of Ireland at about one-twentieth, at most, of that of Great Britain. Applying this ratio to the latest figures then before them, they ascertained that Ireland contributed two and a half millions a year, or more, in excess of contribution according to relative capacity. It is a result which at first seems startling, but there is nothing really surprising in it to those who consider the relative excess of the poorest classes in Ireland, and the excessive taxation of the poorest classes throughout the United Kingdom. Circumstances led to a special inquiry into the case of Ireland, but the result of the investigation would have been much the same had any other specially poor area been isolated for the purpose of examining its taxable capacity relatively to that of the rest of the country, and its relative contribution to imperial revenue. To some extent, but to a less extent probably than is commonly supposed, the Irish hardship is enhanced by the fact that the Irish population consumes whisky rather than the less highly-taxed beer. But on the whole the Irish grievance in the matter of taxation is one with that of the poorest classes throughout the United Kingdom. If the general system of taxation were so readjusted as to press less heavily upon the poorest, and more heavily upon the well-to-do classes, the Irish grievance would disappear, or be *pro tanto* diminished.

The Irish, however, put forward justly, as it appears to me, a special constitutional claim under the Act of Union for distinct consideration and treatment in the matter of taxation. As I say in my sixth proposition they allege :

6. *That, in view of the constitutional rights secured by the Act of Union, the poorer classes in Ireland are, under existing circumstances, entitled to some kind of special relief.*

The historical and legal grounds upon which this claim is founded are not subjects for discussion in an *Economic Journal*, and I have already stated them elsewhere.¹ It is enough now to define the position taken by advocates of the Irish claim. They

¹ *National Review*, March, 1897.

say to the Government and Parliament, "Either re-adjust your whole system of taxation so that it may press less heavily upon the poorest classes throughout the United Kingdom, including the bulk of the Irish population; or if you will not do this, devise some system of special relief to the poor population of Ireland; or if you will not do this either, at least make the experiment of spending money in order to raise the economic condition of that population. It is open to you either to lighten the burden on the camel, or to feed up the camel so that it may better bear the burden."

In the opinion of many of the best authorities it is the duty and best interest of the State to take strongly in hand the agricultural and industrial development of Ireland. It is a merit of the Financial Relation Commissions that they have called attention in a striking way to the backward condition of that country. Even if the result of the inquiry had been to show that Ireland only contributed to revenue in the proportion of her relative wealth, yet a powerful argument for "heroic" reproductive expenditure would have been furnished by the fact that, with a ninth part of the whole population of the United Kingdom, the wealth of Ireland cannot be put higher than about a twentieth.

Ireland has a special historical and constitutional claim to relief, nor does it seem to me to be a good answer to this claim upon economic, any more than upon constitutional, grounds to say that an excessively large sum is spent in Ireland upon the ordinary machinery of Government. But the main question is of a wider nature. It is impossible to believe that our system of taxation, under which a twelfth or thirteenth part of the whole tax-revenue is derived from a population like that of Ireland, can be just and equitable. It is difficult, for those who have at all deeply studied this matter, to let things rest as they are with an easy conscience.

BERNARD HOLLAND

These theorems may be extended from a specific to an *ad valorem* tax. The demonstration is given by Cournot in a passage already referred to (*Principes Mathématiques*, p. 78 *et. seq.*).

Professor Seligman does not accept the parallelism of the two marginal taxes, but on the contrary maintains that "a tax on monopoly gross receipts can never be shifted"; and he makes a mighty distinction between a tax on "gross product" and "gross receipt."¹ He argues thus:—

"Let us suppose that the monopolist has been selling 1,000² articles at \$1, giving him gross receipts of \$10,000, receipts which form his maximum monopoly revenue. Now a tax of ten per cent. is imposed on gross receipts. Let us assume that the monopolist will attempt to add the whole or any part of the tax to the price and charge any sum between \$1.01 and \$1.10. Now at any of these prices he will not get quite \$10,000 gross receipts, and certainly not more than \$10,000, for otherwise he would have advanced the price already before the tax. Suppose, to give him the benefit of the doubt, that he now sells \$9,990 worth. Since he must pay \$99.90 tax,³ this would leave him only \$9,890.10, while if he continues to charge only \$1 he would still have \$10,000 - 100 = \$9,900. Thus it will be profitable for the producer to bear the whole burden himself. The tax cannot be shifted to the consumer either in whole or in part."

"Most writers," adds Professor Seligman in a note, "including Marshall, overlook this."

The plausibility of this reasoning arises from the accident that the author has selected a case in which (before the tax) the gross receipts are identical with the net receipts. He compares the \$9,900 with the \$9,890 as profits, leaving out of sight cost of production. But he would have found in general that \$9,900 *minus* the cost of producing the 10,000 articles would be less than \$9,890 *minus* the cost of producing that smaller number of

not likely to find it profitable to bear the whole tax himself, except in one of the exceptional cases above specified, neither of which is here contemplated, as the context of the passage just quoted shows; (2) the monopolist is particularly unlikely to bear the (whole) tax himself in the case specified by Professor Seligman; for he is likely to bear less of the tax, the more, *ceteris paribus*, "the demand is apt to fall off with increased price." For the addition to the price paid by the consumer is of the form (*cp.* the last but one note, and the reference to Cournot there made)

$$u \times A \div (2A + B + C)$$

where A (the $F'(p)$ of Cournot) is the measure of the rate at which the demand falls off with increased price. Accordingly the larger A is, B + C being constant—in other words, the more the demand falls off with increased price, *ceteris paribus*—the larger is the share of the tax borne by the consumer, and therefore the **smaller** the share which the monopolist will find it profitable to bear.

Shifting and Incidence, p. 162.

² *Sic*; apparently a misprint for 10,000. But see the next note.

³ That is, supposing the tax to be not *ten* per cent. as at first stated, but *one* per cent. This venial inaccuracy of figures does not explain or excuse the imperfection of the reasoning.

effect of a specific tax on the product will be to raise its price to an extent which may be either greater than, equal to, or less than the amount of the tax "selon les circonstances."¹ To which it may be added, I think, that it will probably be less, at least for the case of decreasing returns.² In general the addition to the price will be a substantial proportion of the tax.

What is said by many popular writers, and even by some distinguished economists, that a tax (of the kind now under consideration) will not affect the consumer, for that the monopolist has already done his worst, is true only in two special cases. (1) Where it is not in the power of the monopolist to increase or limit his output at will, he will very generally have to bear the whole tax. Cournot has noticed the case of the monopolist who is unable to increase his output.³ The converse exception may be illustrated by an owner of urban land, if prevented by public opinion from keeping it out of the market. (2) The second exception is where the monopolist is a sole *buyer*, and the supply of the article bought is perfectly inelastic: for instance, a combination of tenants dealing with landlords incapable of combining. But in general the addition to the price will not be zero. I am unable to follow Professor Seligman when he asserts the contrary.⁴

advanced in order to pay the tax and the profits of middlemen (*Shifting and Incidence*, p. 156). "This theory," says Professor Seligman, "which Cournot invested with elaborate apparatus of mathematical diagrams is, however, nothing but the accepted doctrine of Adam Smith, Ricardo, and Mill" (*Ibid.* p. 157; *Cp.* p. 159, par. 1). But it will be evident to anyone who studies Cournot's theory of monopoly (*Principes Mathématiques*, p. 78, referred to by Mr. Seligman) that Cournot rests the phenomenon in question, in the case of monopoly, upon a principle other than the accepted doctrine of Adam Smith. Cournot in the passage referred to, has "invested with mathematical apparatus" the law of taxation stated in our text; which is so far from being the accepted doctrine of Adam Smith that it has escaped even Mr. Seligman.

I do not deny that Cournot has also employed the "accepted doctrine;" whether mistakenly, as Mr. Seligman holds, will depend on the validity of "the old doctrine of normal or natural profits" (Seligman, p. 158 and *cp.* p. 145), a subject on which I am not called upon in this connexion to express an opinion (*cp. ante*, p. 59).

¹ *Principes Mathématiques*, p. 77.

² As proved by Cournot (*Principes Mathématiques*, Art. 31) the increase of price due to a small tax u per unit of commodity is of the form $u \times A \div (2A + B + C)$ where A is always negative; B is negative when the law of decreasing returns prevails (and positive in the converse case); of C nothing is known in general, either as to its sign or magnitude, except that the expression $(2A + B + C)$ must be always negative. In such a case, I submit, we are justified in regarding it as probable that A will be (in absolute quantity) less than $2A + B + C$, and therefore the addition to the price less than u —at any rate when B is of the same sign as A , as in the present section.

³ *Principes Mathématiques*, last paragraph of ch. v.; first paragraph of Art. 39.

⁴ Professor Seligman says (*op. cit.* p. 160), "If the tax is small and the demand apt to fall off a great deal with increased price, the monopolist will be likely to find it profitable to bear the tax himself." Upon which I observe: (1) the monopolist is

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"Let us suppose that the monopolist has been selling 1,000² articles at \$1, giving him gross receipts of \$10,000, receipts which form his maximum monopoly revenue. Now a tax of ten per cent. is imposed on gross receipts. Let us assume that the monopolist will attempt to add the whole or any part of the tax to the price and charge any sum between \$1.01 and \$1.10. Now at any of these prices he will not get quite \$10,000 gross receipts, and certainly not more than \$10,000, for otherwise he would have advanced the price already before the tax. Suppose, to give him the benefit of the doubt, that he now sells \$9,990 worth. Since he must pay \$99.90 tax,³ this would leave him only \$9,890.10, while if he continues to charge only \$1 he would still have \$10,000 - 100 = \$9,900. Thus it will be profitable for the producer to bear the whole burden himself. The tax cannot be shifted to the consumer either in whole or in part."

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where A (the $F'(p)$ of Cournot) is the measure of the rate at which the demand falls off with increased price. Accordingly the larger A is, B + C being constant—in other words, the more the demand falls off with increased price, *ceteris paribus*—the larger is the share of the tax borne by the consumer, and therefore the smaller the share which the monopolist will find it profitable to bear.

Shifting and Incidence, p. 162.

² *Sic*; apparently a misprint for 10,000. But see the next note.

³ That is, supposing the tax to be not *ten* per cent. as at first stated, but *one* per cent. This venial inaccuracy of figures does not explain or excuse the imperfection of the reasoning.

articles which can be sold at the advanced price.¹ I have endeavoured to give a simplified version of Cournot's reasoning in a note.²

It is interesting—and to those who take pains in order to avoid mistakes in abstract theory, almost discouraging—to observe how the distinguished publicist rights himself when he comes to practice. When the practical question arises whether corporation taxes should be levied on gross or on net receipts, he restates the theory, which, according to the view here taken, is untenable. "In the case of pure monopolies it makes," he repeats, "no difference, in so far as the result on the consumer is concerned."

¹ Compare Professor A. Graziani, *Istituzioni di Scienza delle Finanze* (1897), p. 337. He seems to regard Professor Seligman's theory as true "in general." I think it is true only in the particular case in which the total expense of production is constant—not diminishing with a diminution in the amount produced.

² Before the tax, the monopolist will have fixed the price which renders his net profits a *maximum*. He may be supposed to begin tentatively with a very low price, and to go on raising the price as long as the increment of net profit which corresponds to a rise of price continues positive. He will stop just at the point at which that increment ceases to be positive and begins to be negative. That is the required position of maximum. A rise of price above that point is attended with a fall in *gross* receipts. For, by hypothesis, the rise of price is attended with a fall in net receipts; and net receipts equal gross receipts *minus* total cost; and total cost decreases with the rise of price, since total cost diminishes with the diminution of the quantity supplied, and that quantity diminishes with the rise of price. If, then, gross receipts *minus* total cost diminishes while the subtrahend total cost diminishes, much more must gross receipts diminish.

After the tax, the quantity which the monopolist seeks to maximise is the net profits in the same sense as before (that is, gross receipts *minus* total cost) *minus* the amount of the tax, a certain percentage of gross receipts. This quantity will not be a maximum at the point before determined. For if the price be raised above that point, the increment of the quantity to be maximised (net profits *minus* tax) will be 0 *minus* increment of the amount abstracted by the tax. But the increment of the amount abstracted is negative, since when the price is raised the gross receipts are diminished (as shown in the last paragraph), and therefore the tax which is a fixed percentage of the gross returns is diminished. It will be the interest then of the monopolist to raise the price beyond the old maximum point up to a new limit: at which the loss in respect of net profits (gross receipts *minus* total cost, which diminishes as the price is raised above the old maximum point) is just compensated by the gain in respect of the diminution of the tax. The new price therefore will be higher than the old.

A scruple may be felt whether, as the price is raised above the old maximum point the loss will overtake the gain, as the reasoning requires. The answer is that the loss (attending the increase of price above the old maximum point) is proportional to the *square* of the increment of the price, while the gain is simply proportional, it being supposed that the tax is small (*Cp. ante*, p. 55, note 1, last paragraph). Whence in general there is a determinate value for the increase of the new price above the old, such that the gain of the monopolist—the net receipts *minus* the tax—should be a maximum.

The mathematical reader will not expect the accuracy of a purist in this popular version; the general reader will perhaps be disappointed in his expectation of simplicity. I don't know that much has been effected by this cumbrous simplification, except to show the great superiority of the genuine mathematical method.

Yet this inaccurate premiss does not much affect his practical conclusion.¹

Cournot's reasoning may be extended to any (small) marginal tax, provided that the aggregate tax increases with the amount supplied.²

Throughout all the cases which have so far been considered, there prevails what may be called the general rule, both for competition and monopoly, that both parties suffer more or less from a tax. It remains to point out that in monopoly, as in competition, there are exceptions to this rule. The monopolist, indeed, always suffers, but his customers may be benefited in certain cases.

There is first a peculiar tax in kind noticed by Cournot with respect to monopoly, and described in our former article with respect to competition: "the abstraction of a certain portion of the exports in kind, to be disposed of in a manner not affecting the market under consideration."³

The case of several commodities presents a second class of exceptions, even more paradoxical in a *régime* of monopoly than in that of competition. If a monopolist supply two commodities for which the demand is *correlated*, that is either "rival" or "complementary," then a tax on one commodity may benefit the consumers of both.⁴ To fix the ideas, let there be a railway, like our Midland, with two classes of passengers, first class and third

¹ *Shifting and Incidence*, p. 168.

² As pointed out by Professor Marshall in the passage to which Professor Seligman refers when he says that "most writers, including Marshall (*Principles*, 460) [See p. 462, 1st ed. note, par. 1, p. 538, 3rd. ed.] and Pantaleoni (*Traslazione*, 76) overlook this, and confuse a tax on gross receipts with a tax on sales or amount produced."

If the views, here stated summarily, and more explicitly in my article on *The Pure Theory of Monopoly* (*Giornale degli Economisti*, 1897), are correct, there is not the slightest confusion or mistake to be attributed to either of the authors thus disparagingly referred to by Professor Seligman. It is to be regretted that his intellectual sympathy is not always proportioned to his learning.

³ *Ante*, p. 53. This kind of tax is presupposed in Colonel Barone's theorem respecting a contribution proportional to the quantity; forming the fourth theorem of his *Teoria Matematica dell' Imposta* (*Giornale degli Economisti*, March, 1894), p. 207.

⁴ In the case of *rival* demand, the theorem makes no postulate about the cost of production. Either the law of increasing or decreasing (marginal) cost may prevail. There may even be no cost, two "mineral springs" controlled by a monopolist (*cp.* Cournot and Marshall) supplying without human effort two waters which may, to some extent, act as substitutes for each other. Or the (total) cost may be constant, not changing with that change in the amounts produced which is consequent on the tax; as it is allowable, though not necessary, to suppose in our example of first and third class accommodation. In the case of *complementary* demand, it must be postulated that production is *correlated* in a certain manner.

class. Let there be imposed a small tax of say 2 or 3 per cent. *ad valorem* on the gross receipts of the first class passenger traffic; or there being, as in fact, a tax already, let there be superimposed a small additional tax; I say the consequence of the new tax on first class tickets may be to benefit passengers by lowering the fares of both kinds, both the third class and also the first class.

A mathematical demonstration of this theorem has been offered elsewhere.¹ The reader who has seen how difficult it is to state in ordinary language the proof of the simple proposition that a tax on a monopolised article tends to raise its price, (above p. 229, note ²) will not expect here a full statement of the more complicated argument relating to two commodities. He may be put on the track of the investigation by the following hints.

Let x and y be respectively the first and third class fares (per mile or other unit) before the tax. After the tax let us suppose the directorate of the railway to alter the fares one at a time; and first the first class fares.² By the theory above stated, the first class fares will be raised in consequence of the tax (the third class being for the time fixed,) say to x_1 . There will result a diversion from first class traffic, a rise in the demand for third class accommodation. There might be expected then a rise of third class fares in sympathy with the rise in the price of the rival accommodation; for when the demand for an article is raised it is probable³ that its price will rise, *ceteris paribus*. But other things are not the same here. For, while the purchasers are now disposed to give more for third class accommodation, the sellers are more ready to offer third class accommodation now that it has an advantage over the first class in not being taxed. Thus the change in the third class fare will be the resultant of two tendencies, one making for a rise, the other for a fall. There is nothing to show that the latter tendency may not preponderate. Accordingly, the new y , say y_1 , may be less than the old one. This low third class fare will tend—by the sort of sympathy between the prices of substitutes which has just been noticed—

¹ See *Giornale degli Economisti*, 1887. In that article I give an explicit example of a possible curve, or rather numerical law, of demand for first and third class accommodation, such that if a tax of 2 or 3 per cent. is put on first class tickets, it will be the interest of the management to lower *both* fares.

² Of course I do not suppose so delicate an adjustment—such a frictionless movement towards the position of maximum profit—to be realised in the concrete management of an English railway. But I think that it may be of scientific interest to establish the theoretic possibility of the paradox enounced in the text.

³ Though in a *régime* of monopoly, not necessary, as stated below, p. 234.

to drag down the first class fare, when we come to the third step, which consists in determining the first class fare, x_2 , which is most profitable to the monopolist, the third class fare being fixed at y_1 . It is probable then that x_2 will be less than x_1 . And there is nothing to show that it may not possibly be less even than x . There is nothing to show that the series of subsequent steps will not converge to a system of two fares each of which is lower than the original one.¹

The preceding theorem illustrates a general characteristic of monopoly, that the laws of incidence relating to that *régime* resemble, but are less exact than, those relating to a *régime* of competition.² To take another example from the case of *correla-*

¹ An acute friend has objected: If it is advantageous to the monopolist to lower prices after the imposition of the tax, why is it not before? I reply: Because the conditions of maximum profit are altered by the tax. Let x be the price of first class accommodation, and y that of third class accommodation, before the tax; and let the corresponding quantities demanded be D_1 and D_2 . After the tax, let x' and y' be the prices, D'_1 and D'_2 the corresponding quantities. Then the profit of the monopolist is $D_1x + D_2y$ before the tax, after the tax $\frac{1}{2}(D'_1x' + D'_2y')$; if, to fix the ideas, we suppose the tax to be 5 per cent. *ad valorem* (on the proceeds of first class tickets), and for simplicity we abstract expenses of production (*cp.* above, p. 230, note). There is no inconsistency in supposing that it is neither the interest of the monopolist to change the fares from x and y to x' and y' before the tax, nor from x' and y' to x and y after the tax; x being greater than x' , and y than y' . It is necessary only that $D_1x + D_2y$ should be greater than $D'_1x' + D'_2y'$, and also $\frac{1}{2}(D'_1x' + D'_2y')$ greater than $\frac{1}{2}(D_1x + D_2y)$; or that we should have at the same time

$(D'_2y' - D_2y)$ less than $(D_1x - D'_1x')$, and $(D'_2y' - D_2y)$ greater than $\frac{1}{2}(D_1x - D'_1x')$. It is not surprising that of two quantities which are known not to be widely different (the tax being small), one should be greater than nineteen twentieths, and less than the whole, of the other, provided that the quantities are *positive*. Now it is probable that $D_1x - D'_1x'$ is positive, if x is greater than x' , as D_1 is probably greater than D'_1 (the monopolist reducing his offer of the taxed commodity). Nor is it improbable that $D'_2y' - D_2y$ should be positive; nor inconsistent with the supposition that y' is less than y .

The objector may still insist: If Dx is greater than $D'x'$, why not raise x' to x , leaving y' what it is? To which I reply that the proceeds of the first class traffic will no longer be Dx in that case, but $x \times$ first class accommodation demanded at the prices x (first class) and y' (third class), say $x \times \Delta$. Now Δ may fall off so rapidly, as the first class fare is raised from x' to x , owing to the counter attractions of the third class (at the price y') that the monopolist will lose more by the decrease in the demand for first class than he gains by that increased demand for the third class which he at the same time causes.

² This greater latitude is explained by the circumstance that in monopoly, unlike competition, the producer [or, *mutatis mutandis*, the monopolist buyer] must take account of the change in demand price caused by variation in the amount of product which he may offer (*Cf.* Marshall, *Principle of Economics*, p. 802, part II., 3rd ed.). If β be that amount and p the price (*ibid.*), the marginal cost is equated in competition to $p\Delta\beta$, but in monopoly $p\Delta\beta + \beta\Delta p$. Accordingly, in determining the variation in the position of equilibrium due to a (small) tax (*Cf.* Cournot, *Principes Mathématiques*, ch. vi.), whereas in competition the highest order of differential (of p with respect to β , taking β as the independent variable) which we need take

tion. We have seen that when production only is correlated, "it being supposed that the demand for one commodity is independent of the demand for the other," in a *régime* of competition (1) a tax upon two rival products will raise the price of the taxed one, and lower the price of the untaxed one; (2) a tax on one of two complementary products will raise the price of both.¹

Now let the correlated production be in the hands of a monopolist, the demands as before being uncorrelated. Then (1), as before, a tax upon one of two rival products will raise the price of the taxed one; but it will not, as before, necessarily—it will only probably—lower the price of the untaxed one. Also (2) as before, a tax on one of two complementary products will certainly raise the price of the taxed one, but will only probably raise the price of the untaxed one.

For example in a *régime* of monopoly it is probable, though not so certain as in a *régime* of competition, that a tax on malt would tend to lower the price of wheat in a country dependent on a limited area for its supply of both products; assuming that the production was not (otherwise) correlated. Contrariwise if the products are *complementary* in respect of the rotation of crops, as the Malt Tax Committee of 1862 suppose. "The effect of the malt tax," they say, "is to interfere with the due rotation of crops,"² and therefore presumably to cause wheat to be grown in more unfavourable conditions, at a higher price.

Some peculiar cases of rival production are constituted by the property that in monopoly identical objects may be sold at different prices: for instance seats for men or women at a theatre. If instead of the theatre tax which is now levied in Italy there were imposed a tax on men's tickets only, the ladies would be likely to gain not only in exemption from the tax, but also in having less to pay for their tickets. That is supposing the demand for one kind of ticket to be independent of the demand for the other kind. *A fortiori* if, as it is natural to suppose, the demands are *complementary*.³ For it is probable in monopoly, as it is normally account of, is of the form $\frac{dp}{d\beta}$, in monopoly we have also to take account of differentials

of the form $\frac{d_2p}{d\beta}$. The sign of the former is given by the law of diminishing utility. But the sign of the latter is not usually a *datum*.

¹ *Ante*, p. 54, par. 2, where, by a misprint, or *lapsus plumæ*, the predicates of the two propositions have been transposed.

² Parly. Papers, 1868, 420. Cp. *Evidence*, 1867: Qs. 2616, 2952, 3023, 3305.

³ The young man who treats his lady friends to tickets, and the paterfamilias who provides for mixed parties, would be disposed *ceteris paribus* to give more for men's tickets if ladies' tickets were lowered, or more for ladies' tickets if men's tickets were lowered.

true in competition, that "a tax on one of two complementary commodities [*i.e.* "for which the demand is correlated"] will raise the price of the taxed one, and lower the price of the one which is not taxed."¹

Following an order similar to that of the corresponding section in competition, we shall now leave correlation out of sight, and go on to consider the general case in which a monopolist deals with two or more competitive groups. For example, we might imagine one of our islands A, B, C,² to be now held by a monopolist. As before, we shall find that it is not indifferent whether a certain tax is levied on transactions between A and B, or on transactions between B and C. If, as before, we suppose the materials supplied by C to be constant in quantity and independent of human effort, we have now three cases, according as A (the consumers), B (the manufacturers), C (the landlords), form a monopoly. In the first case a tax on the product will prejudice both parties, not only in general as in competition, but always—correlation of supply or demand not being now supposed. For the circumstance which forms an exception in competition, the inelasticity of the consumer's³ demand, cannot occur in monopoly.⁴ In the second case a tax on the goods produced by the monopolist B will not prejudice C; for the monopolist will have already done his worst.⁵ In the third case a tax on the product will, on the general supposition that the demand of the consumers is not perfectly inelastic, prejudice the landlord in general in monopoly as in competition; but not in monopoly always. For, though in consequence of the tax the demand on the part of the (competitive) producers in B for the (monopolised) article supplied by C falls, yet it does not follow that the price of C will fall. For it is one of the irregularities of monopoly as compared with competition that a rise [or fall] in the demand for a monopolised article is not necessarily, but only probably, attended with a rise [or fall] in its price.⁶

¹ *Ante*, p. 54, note 4.

² *Ante*, p. 56.

³ *Ante*, p. 56.

⁴ This may be elegantly exhibited by the curves which Messrs. Auspitz and Lieben have employed to illustrate the case in which the monopolist is a sole buyer.

⁵ Above, p. 227.

⁶ Suppose that the demand for the monopolised commodity increases in the sense that the average consumer "will buy more of it than he would before at the same price, and that he will buy as much of it as before at a higher price" (*Principles of Economics*, Book III. chap. iii. § 4, 3rd ed). Then the demand-curve will be shifted outwards, as in Professor Marshall's figures 26, 27, 28 (*Ibid.*, p. 520). The Monopoly revenue curve, (*Ibid.*, 534) will accordingly be modified. The new q_2 will be on a constant revenue curve (*Ibid.*), which is further "out," or away from

This survey of marginal taxes of monopolised articles may conclude with the reflection that the consequence of such taxes appear to be in general more unpredictable in monopoly than in competition.

a₁BcD. That taxation upon the profits of a monopolist cannot be shifted is universally acknowledged. It may be observed that this is true not only as stated in the books of a capitation tax consisting of a lump sum, and an *ad valorem* tax directly proportionate to profits, but also of a *progressive* tax on profits (the proportional contribution increasing with the amount).¹ Of course the alteration of the monopolist's revenue may produce, as in the case of competition,² an indirect result on the margins of work and saving.

a₁Bc. To attribute mobility to monopoly may appear a contradiction in terms. The designation may however be appropriate to a certain mixed case intermediate between monopoly and competition when there is fulfilled one condition of perfect competition, mobility of labour and capital, but not the other condition, outlay up to the margin of profitableness.³

Crossing Mont Blanc from Italy into France, at a little mountain inn which is perched high above Chamouni I had some refreshment in the charge for which one item was a franc for a slice of bread. I don't suppose that this franc had any exact correspondence with the marginal efforts and sacrifices requisite to produce bread and carry it up to that height. It might have been so if several of the Chamouni bakers had erected each a shop or booth on the rock and competed with each other. Supposing this to be impracticable under the circumstances, it might still be open to any citizen of Chamouni to start a rival auberge, if it appeared that the proprietor of the existing one was making

the axis than the corresponding old curve. But there is nothing to prove that the new Lq_1 , is greater than the old one; the displacement of the demand curve may be such that—whatever the shape of the "supply-curve"—the new Lq_1 , is less than the old one.

The rationale of this uncertainty, as well as others which have been noticed, is to be found in the same "dominant fact in the theory of Monopoly" (above, p. 232, note). In competition we are concerned only with the rise in the amount demanded at each price, the variation of Cournot's function $F(p)$, say $\delta F(p)$. If this is positive, the price must rise, the law of decreasing returns prevailing. In monopoly we have also to look to the sign of $\frac{d}{dp} \delta F(p)$, which is not usually given.

¹ See article in *Giornale degli Economisti*.

² *Ante*, p. 57. The effect of such a tax on the margin of production is exhibited by Colonel Barone in the second theorem of *Teoria Matematica dell' Imposta* (*Giornale degli Economisti*), 1894.

³ *Ante*, p. 59.

more than ordinary profits (account being taken of all the hardships incident to the business). In such a case we have "industrial" without "commercial" competition. The case is perhaps common where there is a large establishment and a comparatively small number of customers.

As Professor Walras has well observed, these conditions are realised much more often than is supposed—

"tel fabricant de chocolat, qui vend son chocolat 3 francs la livre quand il le débite sous le nom modeste de 'chocolat superfin' enveloppé simplement de papier glacé le vendra 4 francs la livre à la condition de le parfumer à la vanille et de le débiter sous le nom de 'chocolat des princes,' enveloppé de papier doré. Il en est de même des différentes places d'un théâtre, dont les différents prix ne sont nullement proportionnels au frais de production de ces places."¹

In such cases the incidence of taxation will partly obey the law of monopoly and partly that of competition. For marginal taxes not large enough to overcome the friction which resists mobility, it should seem that the law is rather that of monopoly than of commercial competition, our aBCD rather than our ABCD. One difference would be that, where the demand of the consumer is very urgent, the tax would fall on the producer to a greater extent than might be expected in a *régime* of perfect competition.² In general the consequences of the tax become more unpredictable in virtue of the property under consideration; a difference which is perhaps aggravated by the circumstance that the case is apt to be one of joint production.³

a₁b. The law of "increasing returns" does not constitute such an important subdivision of monopoly as of competition. There is no difficulty in the case of monopoly⁴ in understanding how production should stop short in the full career of the law of increasing returns, the diminution of the cost being more than counterbalanced by the falling off of demand.⁵ The principal

¹ *Économie Politique Pure*, p. 416; cp. Schönberg's *Handbuch*; Article by F. Neumann, especially ii. 3; Acworth, *Railways and Traders*, ch. iv. So Hermann (*Untersuchungen*, ch. vi. p. 419, ed. 1870) of a shopkeeper who uses smuggled wares along with wares which have paid duty: "Stellen sich die preise höher als die schmuggelpreise tiefer als die preise der verzollten waare." It is not easy to see how this can be, unless the shopkeeper enjoys some of the properties of a monopolist. Professor Marshall points out that the "dominant fact in the theory of monopolies" (*Cp.* above, p. 232) "is dominant also in the case of any producer who has a limited trade connection which he cannot quickly enlarge."

² Above, p. 228, note.

³ Above, p. 232.

⁴ *Ante*, p. 69.

⁵ Regarding the action of increasing returns as essentially different in the case of monopoly and competition, I cannot quite accept Professor Seligman's statement with respect to a (specific) tax on a monopolised article. "Of course the same

difference between the case of increasing and decreasing cost, is, I think, that the price is apt to be raised—will be raised *ceteris paribus*—to a greater extent in the case of decreasing than in that of increasing cost.¹

a₂. The remaining branch is the shortest, yet not perhaps the least fruitful with regard to general economic theory, which rather than finance is here cultivated. Where two or more monopolists take part in a system of bargains there are no laws of incidence, for there are none of value. It has long been recognised that the bargain between two monopolists² is indeterminate; it is now submitted that a system of bargains in which two or more monopolists deal, not directly with each other, but with one or more competitive groups, is also indeterminate. Suppose, for instance, a miller dealing with two monopolists, one the owner of the ground, the other of the water-power—as in an example put by Professor Marshall,³ the only writer, so far as I know, who has given a hint of this theory. Let there be a number of such millers in competition with each other; and let the ground rent and the water rent be subject to revision from time to time, *e.g.* every year. The monopolists might go on for ever shifting the rents, making moves against each other like two chess-players when on each side there survives only the king with one or two inferior pieces.

The theorem may have some bearing on a system which is regarded by some as the ideal of the economic future, that each industry should be consolidated into a "Trust" or combination. Such a system would be characterised by instability, by fluctuations of prices such as now occur in railway wars, but more prolonged; for in so far as the combatants, like the two landlords in the example given, are not direct competitors, the combat seems

qualifications are to be introduced as before [in a *regime* of competition] according as the monopoly industry obeys the law of the constant diminishing or increasing returns" (*Shifting and Incidence*, p. 161). Not "of course" surely.

¹ I am compelled to differ from Professor Graziani (*Istituzioni delle Finanze*, p. 338) on this point. As already pointed out (above, p. 228) the imposition of a tax u per unit of commodity is in general of the form $u \times A \div (2A + B + C)$; where A is always negative, B is negative or positive according as the law of decreasing or increasing returns prevails; nothing is known of the sign of C —it represents the element of chance in the theory of monopoly (above, p. 232, note 2). Accordingly, *ceteris paribus*, A and C being constant, the increase of price is *greater* when the law of increasing returns prevails.

² Sidgwick, *Pol. Econ.* Book II., ch. x., § 3; Jevons, *State in relation to Labour*, p. 154; Böhm-Bawerk, *Positive Theory of Capital*, Book IV., ch. ii.; cp. *Mathematical Psychics*, pp. 21, *et seq.* by the present writer.

³ *Principles of Economics*, Book v. ch. 10.

less likely to be terminated by either the ruin of one party or the amalgamation of the two. That consummation may be more apt to occur when the two monopolists supply, not complementary articles, like land and water-power, but rival commodities. But even in this case the proposition that value is between certain limits—over a certain range of price—indeterminate may well be of considerable theoretical importance.¹

For further discussion of this and other subjects touched upon here, I once more refer to the contemporary article on the Pure Theory of Monopoly in the *Giornale degli Economisti*.

F. Y. EDGEWORTH

¹ The case of wayleaves on mines to which Professor Marshall directs attention (*loc. cit.*) may illustrate the general principle, or rather absence of principle. It appears from evidence given before the Commission on Mining Royalties that it is not always possible to make the negotiation for royalty and wayleave concurrent (Q. 590). The lessee who, having sunk much capital on a mine, wants to take up an adjoining mine "deals with a halter round his neck" (Q. 561); he has been "got into a cleft stick" (Q. 673; *cp.* Q. 5690). There is also much evidence that "the royalty is reduced by the rate of wayleave paid" (Q. 13,151). "A lower royalty is taken than would be if not subject to wayleave" (Q. 1933; *cp.* Qs. 13,218, 11,306, 13,151, 13,749, &c.). Let us imagine these transactions to be effected successively, as thus: The first step is to take a lease of a coal field for a certain period. The second step is to take a wayleave or some other subsidiary privilege. The terms exacted for this privilege being onerous, the third step would be on a revision of the first lease to lower the rent for the coal field. The fourth step, it may be supposed, would be on a revision of the other lease to still further raise the wayleave. But this result is not certain; or not certain to continue as the series of steps is prolonged. It may become the interest of the owner of the subsidiary privilege to lower his terms in order to encourage the industry, wayleave being a charge of so much per ton. The principal landlord may retort by raising his terms; and the see-saw may go on *ad infinitum*. The lessee would not necessarily be worse off than if he had to deal (for both coal field and subsidiary privileges) with a single monopolist—except so far as the instability of value is harassing to industry.

Of course I do not suppose such a prolonged series of steps as I have described to occur in the concrete. But I think it is a legitimate fiction in order to bring out the contrast that, whereas in a *régime* of competition a series thus continued theoretically tends to a definite position of equilibrium (as illustrated *e.g.* by Professor Walras in his *Economie Politique Pure*), in a *régime* of monopoly there does not exist, even theoretically, a determinate position of equilibrium.

* * I am sorry that the statement of Professor Carver's views on taxation, in my former article, should have been marred by the misprint of 'prices' for 'forces.' (p. 70, note, last line but one.).

REVIEWS

Introduction to Public Finance. By CARL C. PLEHN, PH.D.
(London and New York. Macmillan. 1896.)

To write a concise elementary manual on any subject is admittedly a difficult task, but the difficulties are much increased when the matter for treatment has not formed a part of the traditional course of study. Professor Plehn is therefore to be congratulated on the way in which he has presented the various problems of Public Finance for the instruction of beginners. It would have been very easy to have gone astray, either by reducing the work to a collection of trivial and uninteresting commonplaces, or—and this would have been a more natural mistake—in trying to give some account of all the complex discussions that surround financial problems to have produced a kind of “extract” utterly unfit for the digestion of the ordinary student.

Both these dangers have been successfully avoided. There is nothing of the delusive easiness of the primer in this *Introduction*; still less is there the dryness that necessarily follows on undue compression. Professor Plehn has in fact applied to finance the process so effectively used by Professor Marshall in his *Elements of Economics*. He has preferred omission to abridgment as an agency for saving space. Hence we get a clear and definite treatment of the more prominent parts of the subject, while questions like those connected with the quasi-private receipts of the state are passed over with brief notice.

Another valuable quality in the book is its independence. Accepting in the main the work of his predecessors, our author does not hesitate to criticise and propound views of his own. Thus, though he is probably more inclined to follow Professor Seligman than any other writer, he dissents (pp. 96, 266), with good reason, from the latter's distinction between fees and special assessments. Indeed, in one sense, the fundamental idea of the book may be said to aim at a new departure; for finance is regarded as a science which does not deal with matters of practice. “Scientific investigation should precede and ever remain independent of any possible use of the truths discovered” (p. 3). To discuss whether “certain expenditures ought to be made or should be enlarged or curtailed” is to leave “the safe scientific ground of what is or will be” (p. 5). It is therefore with some surprise that we discover Professor Plehn, when dealing with questions of taxation,

"marring" (we would prefer to say "enriching") his book by very vigorous criticism and exposure of the evils of certain forms of impost. The American property tax is warmly denounced—"no words are too strong to express the iniquities of this tax" (p. 219); the single income tax is characterised as "feasible but unjust," and adequate reasons are given for this statement (p. 107). So, again, duties on necessities are described as "good sources of revenue in cases of extreme need" (p. 174). The truth, of course, is that finance is an eminently practical subject. Problems, both of expenditure and receipts, have reference to what ought to be, as distinct from what is. The scientific element appears in the attitude of the inquirer who is bound to deal with principles, not to be swayed by prejudices. Professor Plehn's practice therefore is better than his theory, and is in accordance with established traditions.

Another point for criticism presents itself in our author's treatment of protective duties. He holds that an examination of such charges is a part of finance, and very justly remarks that "to refuse to discuss them because we believe them 'vicious' and 'uneconomic' is not scientific." But such a reason has we believe never been put forward. It is, however, a different matter to exclude the "protection" question on the ground that it belongs to "economic policy" not to "finance." The strictly fiscal effects of protective tariffs have always been recognised as properly a financial problem. There is, however, some excuse for an American writer introducing a matter of such interest to his country, even though it may not be entitled to a place on scientific grounds.

Somewhat similar criticism may be passed on the discussion respecting the true nature of credit in Part III. (pp. 282-88) which belongs properly to economic theory. But, whatever difference of opinion may exist as to the treatment of some special matters, there can be none as to the high character of the book as a whole, which is a really meritorious contribution to the literature of public finance.

C. F. BASTABLE

TWO BOOKS ON PROGRESSIVE TAXATION.

L'Imposta Progressiva. By UGO MAZZOLA (Pavia: privately printed).

L'Imposta Progressiva. By E. MASÉ-DARI (Turin: Bocca Bros. 1897).

No financial problem has been debated at greater length than that of progressive taxation. Economic theory, financial principles, political convenience, the rules of distributive justice have all been invoked for, or against, the system of progression. For English readers the results of the past, both in practice and theory, have been presented in a sufficiently elaborate form by Professor Seligman in his *Progressive Taxation* (reviewed in the ECONOMIC JOURNAL, June

1894, pp. 301—5). On the continent, and especially in Italy, there have recently been considerable additions to the literature of the subject. Professor Mazzola (well-known by his work on the *Scientific Bases of Public Finance*) applies a keen and rigorous criticism to the usual pleas for heavier rates of taxation on the higher incomes. Though the variations of utility, as recognised by Jevons and Menger, seem to supply the best foundation for a system of progression, yet this principle is rejected by Professor Mazzola as not being sufficiently definite, and various proposed scales—notably that of Cohen Stuart—are subjected to close examination. Other theories hardly fare better, *e.g.*, those of Schäffle and Loria. We thus reach the negative result that there is no established *economic* basis for the rate of progression. At this point, however, another set of considerations comes in, and progressive taxation is, we learn, justified as the outcome of the social conditions of modern society, and more especially the existing distribution of wealth. The form of the state is moreover a factor in social economy; and democracy, the prevalent form in modern times, requires and demands progression.

In Signor Masé-Dari's ponderous volume everything at all touching on progressive taxation is brought together. The opening chapter leads us from "China to"—Italy in search of real or supposed instances of the application of the principle. The "theory," the "financial sociology," the "justifications," the "technical forms," and the "economic effects" of progression are each handled with equal elaboration. Though the result is the collection of a considerable body of instructive facts, we must confess to feeling that careful condensation and omission would have made the work at once more valuable and far more convenient. What, *e.g.*, is gained by the list of writers—twenty-three in number—on page 280 with the mass of foot-notes mentioning the particular work of each? A short bibliography and an adequate subject-index would allow of the removal of, say, 150 pages of the text and notes. Such glaring defects in form should not make us indifferent to the wide erudition and painstaking work of the author, who has evidently examined with care all the literature bearing in any way on his chosen subject from the *De Regimine Principum* (p. 232) to Mr. Lecky's *Democracy and Liberty* (p. 477). Nevertheless, it is to be feared that few English students of finance will undertake the task of reading these 727 pages of closely-printed matter.

C. F. BASTABLE

Municipal Government in Michigan and Ohio. A Study in the relations of City and Commonwealth. By DELOS F. WILCOX, Ph.D., Columbia University, in the city of New York. Price \$1. 1896.

THOSE who regard the English Political System as the most illogical and eccentric on the face of the earth will modify their views after a comparison of the almost orderly uniformity of Municipal Government in England with its chaotic condition in the United States. In instituting

such a comparison however, it would be unwise to follow the guidance of Mr. Wilcox, whose desire to find contrasts and frame philosophic generalisations leads him very much astray when he passes from the familiar ground of Michigan and Ohio. No one, for example, having the very slightest acquaintance with municipal elections in England could have written as follows:—"To the municipal reformer who has seen with disgust the degradation of our city politics, and who has been taught to look to the cities of the Old World for beautiful examples of non-partisan municipal governments, it is not strange that the idea of a city, governed simply on business principles, should appeal strongly." Glasgow may be an ideal city, but it is the exception which proves the rule against Mr. Wilcox. It ought however, to be explained that criticisms of this nature only apply to a very small section of the book. This will be proved by a glance at the ten chapters into which the contents fall.

In his first and introductory chapter Mr. Wilcox succeeds in very ably justifying both his choice of subject and his limitation of sphere: His subject is the formal side of American city government, and the legal relations of city to the State Legislature and to the Supreme Court. The limitation of sphere is suggested by the geography of local institutions in the United States. Their three types are well known: "New England has developed the town system, while the south has developed the county system. In the middle and western states we find the mixed or township-county system." This last system is selected as the most typical, apparently on the Aristotelian principle of the mean. But the mixed type is itself differentiated into the New York and Pennsylvania systems. Now migration from east to west has moved on nearly parallel lines, and the *men* have tended to carry the *institutions* with them. Having chosen the middle stream, the next step is to select middle (and therefore typical) states in the stream. We are led to the conclusion that "Michigan and Ohio offer as good a field for the study of the constitutional phase of the city problem as any two states in the Union. On the one hand they are free from the conservatism which we think of as attaching to the 'old thirteen,' while on the other hand they are not far enough west to prevent a marked differentiation in their population elements. Ohio is almost a daughter of Pennsylvania, as Michigan is of New York." Having chosen his typical states, Mr. Wilcox determines to select a typical city from each—cities that are neither too large nor too small, neither too old (they are free from the tradition of colonial charters) nor too young to be so inexperienced as San Francisco or Minneapolis. In the four succeeding chapters Mr. Wilcox deals in detailed, but thoroughly lucid, fashion with the history of local and municipal government in Michigan and Ohio. Chapter VI. records in four periods the development of Detroit's charter. Chapter VII. does the same for Cleveland. Then follows in chapter IX. a brief comparison and contrast of the histories of the two cities. Both have tried the "bicameral" experiment.

Both have at various times had powerful and powerless Mayors. But Cleveland is still entangled in the "board system" which Detroit has thrown off. On the other hand while Cleveland has never placed much dependence on the "referendum," the "citizen's meeting" has always played a most important part in determining the municipal policy of Detroit. This last is perhaps the only permanent contrast in their record. In other respects an Heraclitean flux prevails. We learn for example on p. 155 that "in the history of these two cities the pay of aldermen and councilmen [elsewhere spelt 'counselors'] has ranged from nothing, or a small *per diem* allowance to a maximum of \$600 a year in Detroit at the present time."

The ninth chapter contains some broad generalisations about the present and some interesting predictions about the future. Mr. Wilcox finds four main types of municipal organisation in the world at large :—the British, in which the council is the all important body, administering by its committees and permanent salaried officials :—the French and German system, where the council chooses the executive but has no power of removal :—the American "board" system, in which "the members of the several boards are elected one or two at a time by the people, or appointed by the governor of the state, or appointed by the mayor and council who have very meagre powers of removal." Unfortunately for the United States "there is practically nothing to be said in its favour."

The last chapter is an attempt to philosophise upon the problem of the relations of the city to the state. The evils of special legislation and the blunders and inconsistencies of the supreme council (which has sometimes championed the rights of a municipality, but more often allowed the state to oppress it under a legal fiction) have been exposed in detail in the earlier part of the book. The conclusion is that "the city must be protected from State interference in local affairs in both law-making and administration." How will the problem of city democracy work itself out in America? So far things have been unmistakably bad. "The rings of city bosses, and the rings of corporation directors have exploited the citizens." The favourite remedy at present is that found in a popularly elected but absolute mayor. This however, is merely a transition stage; and Mr. Wilcox hopes that by the help of education and political experience the American city populations will soon find their way to some more suitable and democratic form of government.

F. W. HIRST

Histoire des Corporations de Métiers depuis leurs Origines jusqu'à leur Suppression en 1791 suivie d'une Étude sur l'Évolution de l'Idée Corporative au XIX^e Siècle et sur les Syndicats Professionnels, par ÉTIENNE MARTIN SAINT LÉON. (Paris : Guillaumin and Co. 1897. 8vo.)

EVERY student of the history of labour knows M. Levasseur's *Histoire des Classes Ouvrières en France*, published thirty-eight years

ago, and now unhappily out of print. M. Saint Léon's closely printed volume of 670 pages is equally based on first-hand documents, but he makes no pretension to supersede M. Levasseur; both of course cover a good deal of the same ground, but each book has its distinct features and bears the stamp of different periods. M. Levasseur had presented the reader with the history of things as well as of persons; issuing his work at a moment of comparative social quiet, he writes as a firm believer in the efficiency of a system of complete economic liberty. M. Saint Léon looks at institutions from the special standpoint of the jurist, and is above all things eager to ascertain the evolution of the legal *status* of labour; the years devoted to the extensive researches of his sources, years of bitter social struggles, have communicated a rather pessimistic tinge to his conclusions. Still in their narrative of the history of French crafts during five centuries, both writers generally agree.

Owing to his having entered the field so many years later, M. Saint Léon has been able to avail himself of some recent works (such as those of Brentano, Gierke, Pappenheim, Gross, &c.) on the origin of crafts as well in France as in England and among Germanic nations, and he admits that survivals of Gallo-Roman *collegia* and the influence of Germanic guilds have concurrently contributed to their birth and expansion in medieval France. He also regards as a powerful factor the prevailing religious feelings of the age. Perhaps he might have insisted more on their character as indispensable instruments of industrial self-protection against the encroachments of rude and warlike neighbours very little inclined to respect the property of individually defenceless trading people; as a matter of fact, necessity and the anxiety to ward off impending evils have always been the primary teachers of mankind. We also doubt whether, concerning the limitation of the number of apprentices, our author does not endow the masters of the 12th and 13th centuries with an exaggerated amount of Christian devotion to the education of their youthful auxiliaries: M. Fagniez's explanation given in his *Études sur l'Industrie au XIII^e Siècle* and quoted by M. Saint Léon, ascribes this limitation to their fear of competition and squares exactly with the exemptions granted to their own sons.

On the other hand, M. Saint Léon perhaps grants but scanty justice to Turgot. By his own admission, the *jurandes et maîtrises* had, under the influence of various causes, become an unmitigated nuisance and degenerated into an ossified organism jealously kept in existence by the selfishness of the masters and the fiscal appetite of the French treasury; even if it had been legally allowed to go on, the rising of the factory system would have sooner or later dealt it the supreme death-blow, at least under its antiquated and fossilised form. On one point, however, the author is quite right: a line ought to have been drawn between trammels which had lost every rational warrant, and institutions proceeding from a spirit of providence against the

casualties of a working man's career. If Adam Smith had been the minister of Louis XVI he would no doubt have legislated in a more cautious way, whilst Turgot and the Constituents simply followed the time-honoured French fashion of making a clean sweep. Nevertheless they are more entitled to lenient criticism than the compilers of the *Code Civil* and the French governments of the first half of our century; the eyes of the latter ought to have been opened by experience.

To M. Saint Léon's learned commentary of the French law of 1884 on *Professional Syndicates*, we refer the reader desirous to realise the extent of the rights now enjoyed by our working classes. In order to acquire an accurate notion of their importance, we must not forget that on principle liberty of association is not sanctioned by French law, which is still thoroughly imbued with the suspicions and meddling tendencies bequeathed by two centuries of absolute and bureaucratic monarchy.

We have avowed, not concealed, our dissent from M. Saint Léon on some minor points of subjective appreciation. This must not preclude the emphatic statement that his book is a standard book, which will henceforward have to be consulted: it is a clear and methodical performance, raised on a solid basis of juridical science and of carefully ascertained historical facts.

E. CASTELOT.

The Physiocrats. Six Lectures on the French Économistes of the 18th Century. By HENRY HIGGS. (London: Macmillan and Co., 1897.) 3s. 6d.

If the Physiocrats could return to earth they would feel both distressed and flattered—distressed by the discredit into which their system has fallen, flattered by the interest which is now manifested in their personality and their labours. For some years past many a bulky volume has been published about them, more in other lands than in their own. Even their correspondence has been eagerly sought after and published. There is now, in Europe, a little group of scholars, such as Messrs. Oncken, Hasbach, Schelle, Bauer, who are as familiar with Quesnay as his own disciples could have been, and who regard him with no less affectionate respect.

Mr. Higgs is one of these. He knows in detail every fact concerning the Physiocrats and their doings as well as if he had lived with them, probably even better. He has read all that they wrote and all that has been written about them. It may even be that this wide knowledge has had the effect of leading him to give too much prominence to its anecdotal side. His book is rather a graphic and vivid picture of the Physiocratic School and of its environment, of the influence which it exerted, of its principal exponents, of its friends and of its enemies, than a systematic exposition of its doctrine. In this respect it reminds one of M. de Lavergne's *Les Économistes français du XVIII^e siècle*.

We should state that Mr. Higgs' book consists of Lectures given at
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the new School of Political Economy in London, and that nothing could be better adapted to oral exposition, or be more calculated to interest the public, than the method he adopted. Nevertheless we think that while the reader succeeds in getting a distinct picture of each person who played any part in the Physiocratic School, together with his biography and a complete list of his works, and a *résumé* of his principal doctrines, he will not have a very precise idea of the logical and intimate tie which bound these doctrines of the Physiocrats into one sheaf, and which indeed made them a *system* in the full force of the word. We must not forget that the characteristic feature of the school, as our author himself tells us, was the unity of its doctrines:—"A community of ideas, an acknowledged authority, and a combination in purpose, which banded them into a society apart." This book of Mr. Higgs, so interesting in many respects, seems to us to fall a little short in setting forth just this community of ideas on all great questions, nor does it show the necessary affinities between the doctrine of a natural order, the right to private property, the co-proprietorship of the sovereign, the single tax, free trade, &c.

The little work is divided into six chapters, corresponding to the same number of lectures. Only chapters II and III are devoted to an exposition of the Physiocratic doctrines, or rather (according to our criticism above) of the individual doctrines of its principal exponents. The first chapter, entitled "Rise of the School," shows the economic conditions of France at that time. The author dates the birth of the school from some evening in July, 1757, when Quesnay and the elder Mirabeau met and had a long discussion, which resulted in the conversion of the latter. "Each found in the other the qualities lacking in himself: Quesnay, aged, sententious, oracular, personally retiring, timorous in action, but a hard thinker, who had carved out for himself a consistent theory; the Marquis, young, garrulous, diffuse, egotistic, daring and imaginative, but unsystematic and incapable of sustained, connected thought."

Among the antecedents of the Physiocratic system insufficient place has been given to Rousseau. His name is indeed mentioned, but the influence which he most assuredly exerted on the Physiocratic School, indirectly if not directly, is not even hinted at. It is scarcely possible to give an account of any political or economic doctrine in France which has not been more or less subject to the influence of this *bizarre* genius. The origin of the Physiocratic School seems to us to be best accounted for as a protest against the doctrine of Rousseau: they replied to the *Social Contract* by *Natural Order*—thesis and antithesis.

Chapter IV describes the practical influence of the Physiocrats as manifested in reforms which have either been carried out or have failed, in France or in other lands. We find here an account of the curious experiment of the Margrave of Baden on his estates, as made known to us by the publication of his correspondence with Dupont de Nemours. A pamphlet, recently published by a Professor of the University of

Douai, M. Garçon, under the title *Un Prince allemand physiocrate*, gives a clear and interesting account of this experiment ; but this little work is omitted from the bibliography, otherwise so complete, with which our author has enriched every one of his chapters.

Chapter V speaks of the opponents of the Physiocrats. At the head of these stands Mably the socialist. Voltaire also has a prominent place, and part of his famous pamphlet, *L'homme aux Quarante Écus*, is reproduced. Voltaire's economic opinions, however, did not really differ materially from those of the Physiocrats, as is proved by the goodwill he expressed with regard to them at a later date. But nevertheless, Voltaire on the one hand, and the Physiocrats on the other, represent two opposite aspects of French taste—for, contrary to foreign opinion generally, there has almost always in French literature been an undercurrent, serious, austere, melancholy, of which we have illustrations in Calvin, Pascal, the Jansenists, the Physiocrats themselves, and others. We were surprised to find that Mr. Higgs places Condillac among the followers, and not among the opponents, of the Physiocrats. I think it would be more correct to alter his position, and to give him at the same time a place more in accordance with his great merits. He sustained a long controversy with Le Trôsné, and on the special subject of value showed himself a far more advanced and a more profound thinker than the Physiocrats.

The last chapter is devoted to criticism of the Physiocratic teaching, to the analysis of its influence on the evolution of the science, and to the enquiry, as the author himself wittily expresses it : " What is the *produit net* of their teaching ? " In the matter of criticism, the author mainly reproduces that of Adam Smith. But he adds, and very rightly, that they are mainly responsible for that optimism " which animated Bastiat and still inspires the French classical school, and not always to its advantage. . . . Their followers, advocates of liberty, sometimes seem to have surrendered the greatest of all freedom, the unfettered play of the intellect." But is there not another, and, in one sense, quite an opposite aspect, to the influence exerted by the Physiocrats ? May we not say also that the Physiocrats, by their doctrines of the Sovereign's joint ownership in the soil, and of a single tax, paved the way for the Socialists, or at least for those who, like Henry George and Walras, look to the appropriation of rent by the State as the solution of the social problem ? Doubtless these worshippers of landed property would have strenuously disowned the programme of land nationalisation. No matter ! The manner in which they justified the revenue of the landed proprietor and represented him as invested with an actual public function, as well as their recognition of the State as co-proprietor, were, none the less, arguments that would one day be turned against individual ownership of land. It is not the first time that, in the history of ideas, the product of the seed has proved to be quite different from that which the sower expected.

Mr. Higgs ascribes to the Physiocrats the early use of the term

entrepreneur, which was generally believed (and we shared the mistake) to have been formulated for the first time by J. B. Say. Quesnay gave to this word its economic meaning in his article in the *Encyclopédie* on "Grains." It is to Quesnay also in his *Dialogue sur les Travaux des Artisans* that we owe the first, and very categorical, enunciation of the formula which has been so famous under the name of the edonistic principle, and constitutes, in fact, the basis of pure economics: "To obtain the greatest possible increase of enjoyment with the greatest decrease of expense, is the perfection of economics." It is no exaggeration to say that he who enunciated this principle has indeed a right to the title of Founder of Economic Science.

CH. GIDE

German Social Democracy. Six Lectures by BERTRAND RUSSELL, B.A., with an Appendix on Social Democracy and the Woman Question by ALYS RUSSELL, B.A. (London: Longmans, Green, and Co., 1896.) 3s. 6d.

IT is almost the moral duty of a literary critic to judge writings on Socialism indulgently, for out of the pages of books the Socialist and his friendly critics receive far more kicks than halfpence. On its merits, however, the expository portion of this monograph deserves ungrudging praise. Mr. Russell would have fairly fallen under the late Professor Treitschke's ban as a "Gönner" of Socialism. His attitude is sympathetic while critical, and where he stretches a point—as he does here and there—it is against rather than in favour of economic "orthodoxy." This is, perhaps, as it should be: there is a certain scientific justice in it. Several decades have passed since the exponents of modern scientific Socialism raised their new gospel with the cry "Strike, but hear!" There has been striking enough ever since, but it is only of late years that their case has received the fair hearing which was from the first its due. Indulgence may go a long way before old scores will be wiped off.

Mr. Russell's book is a reproduction of six lectures delivered early last year at the London School of Economics and Political Science. The first two concern themselves for the most part with the theoretical side of the subject; the rest deal with the history of the Social Democratic movement from the death of Ferdinand Lassalle down to the present day. Prominence is naturally given to the work of Marx, whose Hegelian doctrine of historical development strangely enough brought society to Socialism, with the object of leaving it there for ever—a position whose untenableness, even on the Hegelian principle, Mr. Russell rightly calls in question. After a paraphrase of Marx's Communist Manifesto—a production which is described as "magnificent"—there is a lucid exposition of the theories of surplus-value and the concentration of capital, with an acute and judicious examination of their defects and incompletenesses. It is traversing old ground, but

such a statement and critique were necessary in any adequate treatment of the German Socialist movement.

Mr. Russell's tribute to Marx—whom he terms "the last of the great German system makers"—as a scientist is not more generous than his tribute to Lassalle as an agitator, though he hardly does justice to the latter in denying him every trace of originality. Nor does he seem to us to appraise Lassalle's tactics duly. Where Lassalle might have led the Socialist movement had he lived twenty years longer can only be conjectured, for he never avowed his ultimate aims. To our mind the best light on the subject is afforded by his work on "Acquired Rights"—a masterly piece of writing which Mr. Russell for some reason altogether ignores. It was Lassalle's principle to advance one step at a time, and in the then state of political education and civil liberty in Prussia any obstinate forcing of the practical problems which he raised would have been poor policy. Yet there is no reason to believe that the Productive Association exhausted Lassalle's social programme.

The summary of Lassalle's eventful and romantic public life is vivid and accurate, and leads up to a sufficiently detailed history of German Socialism from the year 1864, when the great agitator died, through the dark era of repression (1878 to 1890), to the present day. In dealing with this practical phase of his subject the author frequently challenges criticism. On changing abstract for personal ground he seems unfortunately to have put altogether on one side the judicial fairness which he had preserved throughout the earlier chapters, and this is the more to be regretted because this work claims to be "history,"—a solemn word to invoke. Here and there he plainly shows the spirit of the partisan. To say that "the conduct of the Eisenach or Marxian party in the Franco-Prussian war" (in siding with the French against their conquerors, and that at a time when the International was doing its best to spread disloyalty amongst the German popular classes) was "one of the most honourable facts in their whole history," and to speak of the restoration of Alsace-Lorraine to Germany as a "brutal and blundering sin" might have been quite pardonable in an anti-Prussian pamphlet, but such verdicts have no justification in a history of German Socialism. Sentences like these, too, could not have been written by anyone acquainted with current German thought:—"Positive enmity to France, as the means by which national unity and power were achieved, seems to all classes of society a solemn duty. . . . Even to the educated and cultivated German it seems out of the question that all the real interests of the nation, so far as they are not bought by the disgrace and lasting enmity of others, can be equally dear to a party which does not regard murder of Frenchmen as the most solemn of duties."

Now Germans may, and far too many do, entertain an injudicious and uncharitable feeling of military superiority towards France—the "ockiness" of the schoolboy who has thrashed his boastful companion—

but it is not correct to say that to this is added a feeling of enmity. As to the unreasoning class prejudice from which the Socialists suffer Mr. Russell is perfectly right. Again, it may be Mr. Russell's firm conviction that the German Emperor is "the puppet of the police," and that constitutional reform cannot be hoped for "unless, by a miracle, there should arise an Emperor with some common sense and common humanity," but such *dicta* are not in good taste in these pages. This description of "the people's functions" (in imperial legislation) as being "confined to rejecting new laws of a reactionary tendency," shares the common characteristic of epigram—inexactitude. Of which also here is another unfortunate example. We confess to incredulity when we read:—"Prussia which, as Lassalle, though himself a Prussian, said, stood far behind almost every other German State." That does not sound like Lassalle, and Lassalle never said it. Lassalle, in the passage cited, spoke not of Prussia or the Prussian State, but explicitly of the Prussian Government (*Regierung*), the handful of men who then kept at bay the democratic movement. The word State does not occur in the passage.

It is a pity that the whole polemic against Prussia and German government was not omitted. It is not pertinent to the subject in hand, it must unfavourably impress those readers who know better, and it will disseminate errors. Mr. Russell's specific for the "saving" of Germany, which includes "complete and entire democracy" and "absolute freedom of coalition, of speech, and of the Press," we are inclined to think far too pragmatic. Such a wholesale letting loose of energy would make the last state worse than the first.

If we might surmise, Mr. Russell seems to have visited the German capital in order to acquire local colour for his work—which was right and wise—and when there to have been hospitably "shown round" by the Socialist leaders. Then coming home, overwhelmed by a sense of the political anomalies he had witnessed, he has suffered himself to blaze off in jibes and diatribes—which was wrong and indiscreet. A longer residence in the country, and a wider and more unprejudiced survey of its political institutions, would have tempered his judgments, though incomprehensible anomalies might have remained in abundance.

It is with genuine regret that we have taken to fault finding. The theoretical and expository portions of the book are so honest and good, and will be of so much service, that it is nothing less than a misfortune that the author was tempted into flagrant partisanship.

As an appendix there appears a very thoughtful consideration of the woman question in Germany. In the main it is an examination of Bebel's "Die Frau und der Sozialismus." It must be remembered, however, that the Socialist position only represents one phase, and that the least popular, of German thought on this question.

WILLIAM HARBUTT DAWSON.

Employers' Liability: What ought it to be? By HENRY W. WOLFF. Pp. 114, 8vo, price 2s. 6d. (London: P. S. King and Son, 1897.)

THAT the existing legislation on Employers' Liability is not what it ought to be in this country, Mr. Wolff regards as practically admitted. The Act of 1880 has never represented more than "a half-hearted compromise," and it is only because all the proposals thus far made for amending it contemplate nothing but the carrying of the accepted method of patchwork a little further, that Mr. Wolff deems it necessary to criticise the results of a measure "which, in its present form, finds scarcely any advocate to plead its cause." The criticism which occupies a considerable portion of the volume, is keen and instructive, and would not, perhaps, be any the less readable if the author were not so conscientious in quoting his authorities. As soon as the reader has reached that part of the book—there is no division into chapters—which deals with mutual accident funds, he begins to suspect that he is about to be asked to consider the *Berufsgenossenschaft* of the German system of state-supervised accident insurance as a possible solution of the Employers' Liability problem. The suspicion proves correct, and if the English reader be one who has felt the difficulty of getting a clear idea of the German system of compulsory workers' accident insurance, from what has hitherto been published on the subject in his own language, he will be sure to welcome Mr. Wolff's book. A little disappointment will perhaps be felt at not finding an explanation of the relations between the employers' groups in the building trades (*Baugewerks-Berufsgenossenschaften*) and the special insurance institutions with which they are connected. The point must be quite clear to one who has had Mr. Wolff's opportunities of studying the whole system on the spot, and this is, doubtless, why he has not regarded it as needing special explanation. In the case of other English writers on the subject, the absence of an explanation suggests a different cause.

In the German system of accident insurance we have, our author thinks, a scheme such as employers and workmen could accept. "You cannot," he says, "in our present system, combine the two essentials which, severally, workmen and employers, with perfect justice, ask for—liability made so stringent as to result in the prevention of preventable accidents, and the burden of liability so lightened that, as under 'contracting out,' it becomes endurable and ascertainable beforehand. . . . The German system effectively combines the two and so lays the foundation of industrial peace." Before dealing once more with so important a chapter of legislation, we ought at any rate, Mr. Wolff thinks, to adopt the advice of our Labour Commission, and carefully inquire into the German method of settling the difficulty. It is hardly possible for one so convinced of the efficiency of that method to be satisfied with the proposal now before Parliament. A. A. WOTZEL.

Der Arbeiterschutz. By DR. KUNO FRANKENSTEIN. (Leipzig: 1896.)

THIS book forms volume xiv of a Series of Manuals on Political Science, which are being prepared under Dr. Frankenstein's editorship by many of the leading German economists. The particular volume under consideration has all the qualities usually associated with German scientific work. It is comprehensive and it is extraordinarily painstaking. A glance at the sixty odd pages of bibliography at the end, or even at the table of contents at the beginning, is more than sufficient to establish the justice of this commendation, and to ensure our respectful admiration for the industry of the compiler.

We have first the labour question considered as a whole, we recall the economic conditions which gave it birth, we view it in its political bearings, and we finally decide, in so far as so well-balanced a work can be said to pronounce a decision, that a certain degree of protection for the worker is demanded by modern social conditions. We then proceed to consider the different directions in which that protection may be sought. The worker may seek State Aid, or he may be content with self help; he may be assisted by the great social forces which make for religion and education, or he may benefit by the philanthropic efforts of other classes in society. Each in its turn receives detailed treatment. Under State Aid we consider the different classes of workers requiring protection and the different kinds of protection that may be afforded, regulation of hours, hygienic precautions, measures for the prevention of accidents, restrictions concerning methods of payment or conditions of employment, winding up with a chapter on the various means employed for securing such protection and a detailed account of the protective legislation of Germany, with shorter sketches of the laws of Austria, Switzerland, France, and England. Under self-help are grouped workmen's associations, benefit funds, co-operative societies, and a treatise on strikes, as one amongst other methods whereby the workmen seeks to protect his own interests. The Church with other educational and charitable institutions do not detain us long, and only fifty pages are devoted to philanthropy as against two hundred to State Aid.

A goodly programme truly, and one which may well make the student of handbooks pause. But it must be confessed that if "*Der Arbeiterschutz*" has all the qualities of the German mind, it has in no less degree the defects of those qualities. Ever since the days of Kant the Teutonic soul has yearned after architectonic world-embracing systems, and I verily believe that the humblest pamphleteer has the greatest difficulty in resisting the temptation to begin before the Flood.

This magnificent ambition to take the whole world for your country, so to speak, of necessity lends a skeleton-like air to these comprehensive literary constructions, and suggests the reflection that two or three good Monographs on such subjects as workmen's associations and

factory inspection would be worth all the handbooks that the whole German nation are ever likely to produce. At the same time it would be idle to deny that to the student of economic problems this book contains not a little that is valuable. If the information given is at times a little too general in character, there is usually quite sufficient indication as to where further details may be found, and the German Industrial Code is not in itself of that perfect simplicity that we need disdain such a guide as is here afforded to its more intricate provisions. The expert would probably rather hear less about the inner and essential meaning of the concept "Protection of Labour," and more, say, as to the aims and constitution of the workmen's associations, but after all the expert has means and leisure to pursue his enquiries further, and he will be assisted to that desirable end by the admirable bibliography.

JANET HOGARTH

Das Fictive Capital als die Ursache niedrigen Arbeitslohnes. VON ALFRED OFFERMANN. (Wien: Klinkhardt. 1896. Pp. 235.)

THIS book can best be described as the result of uniting three sets of ideas, those of Benjamin Kidd on social evolution, those of Professor Böhm-Bawerk on capital, and those of the author on stock speculation. The combination is certainly an odd one and leads to conclusions equally odd.

The author is convinced that, while the rich are growing richer the poor are either growing poorer or are not sharing greatly in the increase of wealth. He tells us that even in America the condition of the working man is growing worse in consequence of the astonishing growth of "fictitious capital" (p. 145). He is evidently a stranger to the Aldrich Report. In fact, no attempt is made to verify any of the assertions as to increasing poverty unless we include a reference to Mr. Charles Booth's statistics of London, which, of course, relate only to present and not to past conditions.

The author proceeds to show that Marx is wrong in ascribing the ills of the working man to capitalistic production so far as "real capital" is employed, and exposes the fatal objection to the Socialistic programme, viz., that it would put a stop to the survival of the fittest. "Any system which guarantees comfort to all is opposed to progress" (p. 15). But Socialism will not be checked by "reason," since reason is selfish. Only religion can prevent the present majority from confiscating wealth at the expense of future progress. The tendency of Christianity and of our "Western Civilisation" is not toward equality of condition but toward equality of opportunity. These observations, which occupy chapter one, are confessedly taken from Kidd.

The Socialistic remedy thus disposed of, we are introduced in chapter two to an analysis of modern capitalistic production and its effects on wages. This chapter is Böhm-Bawerk in miniature.

Capital is defined as intermediate products; it is shown that "enjoyable" goods give value to goods in half-way stages; the conceptions of a production period, of marginal utility, of marginal productivity of interest as an agio on present over future goods are developed, and it is pointed out that an increase of "real" capital causes an increase of wages.

So far the author follows beaten tracks. He now strikes out on a path of his own. He claims that, while "real" capital is the friend of labour, "fictitious" capital is its pitiless foe. Unfortunately, the author does not define "fictitious capital." He contents himself with enumerating the things of which it consists, "state annuities, bonds, mortgages, and especially stocks" (p. 104). To this explanation he subjoins a footnote: "Of course, drafts, bank notes as well as credit money in general must also, to a certain extent, be comprehended under 'fictitious capital.' . . . But these are always temporary and generally of brief duration and are very essentially different from the categories of fictitious capital named in the text. A thorough analysis of these instruments . . . lies outside our plan." To state that fictitious capital includes four categories and then to explain that "of course" it also includes several other categories, but that, nevertheless, these latter are "essentially different" is not the clearest mode of exposition, nor the surest way to open up a new chapter in the theory of capital. Mr. Offermann's conception of fictitious capital, so far as it seems to have any definite shape, resembles Mr. MacLeod's idea of "incorporeal entities," though the latter author is not mentioned. Both writers conceive of stocks and bonds as a sort of capital in addition to or "duplicating" "real" capital. But while this additional capital is regarded by Mr. MacLeod as advantageous to society, by Mr. Offermann it is thought to act as a sponge which absorbs new investments to the prejudice of the creation of "real" capital, and therefore to the injury of the working man. The man who puts his money into Government bonds might have built a new factory. The latter investment would have produced new income for society through the ripening of productive goods into enjoyable goods, but the National Debt, though it is bought and sold in the market as capital is really a minus quantity. The real supplies which the Government originally obtained with its loans no longer exist, and then again the value of the Government bonds is quite different from and liable to be much greater than the value of those supplies. The author admits that, in the case of joint-stock companies, there is, besides the stocks and bonds, some actual capital, but the mere fact that an increase in dividends causes a rise in stocks, while the real railways or ships remain unchanged, shows how independent are the two kinds of capital. The daily fluctuations on the stock market are speculative movements pure and simple. They are based on rumours and forecasts of future dividends, not on any changes in real capital. Here, of course, is a radical mistake. An increased earning power of a

railway increases the value of the railway as a group of productive instruments as truly as it increases the value of its stock. The latter is the mere title to the former.

According to Mr. Offermann, not only does the labourer lose through the absorption of savings in "fictitious capital," but because the *rentier* competes with him in the subsistence market.

The author does not propose a remedy for the "evil," but in a footnote (p. 199) tells us that his task is finished in diagnosing the disease, adding that "the intelligence of our generation in practical politics is so great that, when the cause of an evil is correctly known, . . . the most effective measures against it will be found." Our author is clearly an optimist in politics.

IRVING FISHER

Le Leggi dell' Interesse. By ENRICO DE MONTEL.

IN this pamphlet Professor Montel tries to find a formula for interest which shall not make the amount of principal and interest tend continually towards an infinite limit, as is the case with the ordinary formula for compound interest. After rejecting Signor Catalan's formula on the ground that there are several practical difficulties in applying it, he obtains his own formula as follows:—

Suppose that y denotes the amount to which 1 unit of money invested at interest reaches in time x . Then y is a function of x . He suggests as a possible formula $xy + ay + bx + c = 0$

Since $y=1$ when $x=0$ $c = -a$. He then supposes that we know (1) the amount of interest for the first year, that is the value of y when $x=1$; (2), the maximum value that the capital would amount to. These enable us to determine our constants. For instance, if (1) for the first year the interest is 4 per cent.; (2), the maximum value of y is 8 we have:

$$(1) y = 1.04 \text{ when } x = 1$$

$$(2) \frac{dy}{dx} = 0 \text{ when } y = 8$$

whence $b = -8$, $a = 174$.

Professor Montel, after giving some illustrations, then proceeds to calculate the value of an annuity upon his hypothesis. As an instance he finds that whereas the value of an annuity of 1 unit lasting twenty years (interest for the first year being 4 per cent.) is 13.5903 at compound interest, it is worth 14.7029 upon his hypothesis.

The above is probably sufficient to give an idea of Professor Montel's method. He also discusses other problems connected with annuities and sinking funds, and his solutions would be of considerable practical interest if his original formula could be justified. It is, however, doubtful whether much practical advantage can be obtained from this formula. For small sums of money for moderate periods of time the ordinary assumption that a sum of money invested will increase in

geometrical proportion is true. It is not strictly true for enormous sums of money for long periods of time. But do we ever really want a formula for the latter case? If we do, perhaps Professor Montel's would do as well as any other, but there is no sufficient reason to think that it gives the best obtainable approximation.

C. P. SANGER

Die Eisenbahnpolitik Frankreichs. By RICHARD VON KAUFFMANN. (Stuttgart: Cotta'sche Buchhandlung. 1896. 2 vols. pp. lxx—1319.)

As it is safe to say that the number of English readers likely to desire to study a German work containing 1400 pages on the subject of French railways may be counted on the fingers—if not on the thumb—of one hand, there is no need to attempt an exhaustive review of Herr von Kauffmann's book. The first and shortest volume consists of a history of the French railways. Readers who desire to study this will probably prefer to do so in the pages of Picard. The second volume is in the main a criticism, animated throughout with the idea that the French system of private companies under the tutelage, both administrative and financial, of the State is in all respects preferable to the German system of downright State ownership. Even if the author could prove his point—and, as a drastic criticism of von der Leyen's in the January number of the *Archiv für Eisenbahnwesen* shows, he is very far from having done so—his results would be of little practical interest for us. The State railway system of Prussia we might possibly copy, though our doing so is hardly a question of practical politics at present. But the peculiar mixed system of France can only have for us a feeble and purely academic interest. To introduce it here would be absolutely impossible. Even in France itself it could not be established now. It is not a creation but an indigenous growth whose roots go back forty years into French history. The French people themselves had no conception what they were doing when they first planted the seed. Had they known, if one of their own greatest authorities, Monsieur Colson, may be trusted, they would have hesitated long before committing themselves to the intimate association of the State with the financial fortunes of private undertakings. And if this be so in France, much more would the objection be insuperable here. And even assuming the English public willing to undertake their tutelage, the English railway companies would have nothing to gain by renouncing their financial freedom. After seventy years of vigorous, independent life they are "too old to fawn upon a nurse, too far in years to be a pupil now."

W. M. ACWORTH

Essays in Liberalism. By SIX OXFORD MEN. (London: Cassell. 286 pp. 8vo.)

"It is one of the finest problems in legislation," . . . says Burke, "what the state ought to take upon itself to direct by the public wisdom, and what it ought to leave with as little interference as possible to individual discretion." This fine problem forms the virtual subject of the two essays in the work before us which claim notice in an ECONOMIC JOURNAL, namely, *Liberalism and Wealth*, by F. W. Hirst, and *Liberals and Labour*, by J. A. Simon. The writers endeavour to hold a just mean between "the impassable heights of individualism on the one hand and the treacherous quagmires of Socialism on the other." Mr. Simon invokes "a higher principle which gives dignity to compromise;" appealing to the doctrine of the Aristotelian mean. The "how" and the "how much," and all the concrete particulars on which the judgment of the *φρόνιμος* depends, are attended to by Mr. Hirst when he endeavours to discriminate the artificial monopolies which are a tax on the consumer from the natural monopolies which do not admit of competitive enterprise. He has a due "reverence for distinctions."

That almost all distinctions are in their practical manifestations distinctions of degree is regarded by the shallow sophist as a pretext for ignoring them; by the philosopher and the statesman as an additional reason for patient investigation with a view to giving proper allowance in law and administration.

In their search for the golden mean with respect to factory legislation and progressive taxation the authors are perhaps too sanguine in their expectations of guidance to be derived from the teaching of Bright and Cobden and "the older liberalism." But the devotion to principle, as distinguished from mere opportunism, is refreshing; and the search for a reasoned compromise between licence and limitation, appears to us—having regard to the gracefully acknowledged youth of the writers—promising.

F. Y. EDGEWORTH

Wirtschaft und Recht, nach der Materialistischen Geschichtsauffassung, eine sozial-philosophische Untersuchung. Von DR. RUDOLF STAMMLER, professor an der Universität Halle. (Leipzig: Veit. 1896.)

IN this thoughtful book, Professor Stammler seeks for "the uniform basis of the conditions of knowledge in social science" (21), and examines the unseen foundations of society. His pretext or starting-point is the view presented by Marx, Engels, and we may add Loria,¹ according to which the only reality in society is its economy, all the rest being merely phenomena, the manifestations or reflections of the economic reality. Moreover, to the school of Marx, of the three branches of

¹ See ECONOMIC JOURNAL, March, 1894, p. 77; September, 1896, p. 491.

economy (production, distribution, and consumption), the first is predominant (Stammler, p. 211). Mediæval production being what it was, mediæval distribution and mediæval politics could not be other than they were. The present "capitalistic production" being what it is, the present system of trade and the present system of social classes, as well as of law and government, could not be otherwise;—or at least they are only otherwise by survival, and the survival cannot last, the law, polity, art, religion and all else being bound to come into harmony with the system of production. This is the message of Marx to the world; he and his school do not pronounce on what is just or unjust, but on what is obsolete or inevitable. The large production is bound to create the law that is suited to it, bursting asunder the system of private property and substituting a common proprietorship of all the means of production (31–53).

Professor Stammler considers that this school are in many ways near the truth. Like Kant, they treat experience as one; "there is only one experience;" and they have looked for the common element in all social union. But, though they are on the right track, they have not found what they sought; and their view especially of the relation of law to economics and of both to society is a wrong view. Law cannot be separated from society itself; there is no society possible without law; where there is society, men are living together under a common external inviolable rule of life, and this external rule is law. Law is thus to society as form to matter. On the material side, society is a co-operation of men for the realisation of certain aims (202 *seq.*), and law is the *conditio sine qua non* of the realisation of these in the concrete (285). Hence it is not true that law is the creation of economy; all social economy implies law and depends on law. Economics are in the full sense relative; there is no such thing as an absolute truth in economics, and there is no justification for an abstract economics (188, 212, 335, &c.).

This last contention is hardly a rejoinder to Marx; but Marx gets his rejoinder in due course. Production, says Stammler, is not the foundation of law; production itself can go on only under given legal conditions (211). All economic categories including those of production are historical (212, 213); simply because they are social. Marx confuses them with merely technical categories. He speaks of an "epoch of agriculture" and an "epoch of manufacture," agriculture and manufacture being technical processes, differing from each other as productions from different materials and by different instruments. Then he ranges alongside of them an "epoch of capitalism," capitalism meaning not a mere technical process of production, but a social phenomenon, a particular direction given by society to a technical process of production (245 *seq.*). In society the technical phenomena are mere instruments; Marx speaks as if they were causes. The efficient cause of social movement is the personal initiative of individuals acting in and on society (285, 297). Physical causation does not explain social

development. Here, the reign of law does not mean physical causation but teleology, the securing of human ends, not something done but something to be done (349 *seq.*). As Plato thought the band of robbers must have enough justice to hold together in order to be a band, so Stammler considers that every society must have enough of the element of inviolable external rule (or law) to hold it together as a society. The external rule is inviolable and compulsory, not merely conventional or voluntary. It is the indispensable condition of every conceivable union of men into a society for the pursuance of common aims (552). It is the necessary means of making human life orderly (555). The ideal is that society should be a community of free human beings (*die Gemeinschaft frei wollender Menschen*), in which community "every one makes the objectively justifiable aims of his neighbour into his own," living and working with others, and all being in agreement because all free from mere subjective desires (575). This "idea of the good" is the pole star by which we sail, not less our guide because not realised, any more than the pole star is less the guide of the navigator because he does not sail to the North Pole (598, 599, *cf.* 583, 586).

Evidently such a view of society lays the chief stress on human will, and is far from the "materialistic view of history." Professor Stammler considers that the opposing school cannot help appealing to human will, while yet they talk as if the coming change had the inevitableness of physical causation. Why prophesy it, and why tell us to prepare for it? How can our action affect the inevitable? Our safest plan would be to sit down and wait (66, &c.). Their appeals for our help show that they are not really regarding the coming change as a physical effect of a physical cause, but (whether they know it or not), as a necessary means to the attainment of right conditions of human life; it is not a result with which we have nothing to do, but an aim and purpose with which we have everything to do (629, *cf.* 435, 438, 632). Their very admission of the survival of an obsolete system of law is dangerous to their position, for our test of what is obsolete or the reverse should logically be the non-survival or the survival; we might expect that, if the economy created the law, when the economy altered, the law must alter with it. Either this, or else there is here no case of mere physical causation (444).

No doubt these are sufficient answers. But perhaps allowance should be made for a possible alternative view, near that of Marx but not identical with it. Few will agree with Marx that the transition to a new era is all a question of economy, and that production is in the saddle and rides mankind. Mankind is a steed not so easily mounted or managed; and it is inclined to think itself not the horse but the rider. From the experience of all nations it would seem that mankind is neither rider nor steed, and that the metaphor is not apt. When the change to a new era comes, it will be something that we have all willed and helped to bring, but it will not take the precise

shape we willed or expected. The result of joint human effort is by no means the sum total of the results expected of it by the several contributors, any more than it is a mere illusion of utter powerlessness. Economic elements play their part in the half expected, half unexpected result, even if a less potent part than was assigned to them by Marx. To Professor Stammer, if Marx is wrong, the anarchists seem still further wrong. In asserting that the conventional and voluntary order may entirely supplant the legal and compulsory, they forget that in all human experience the former is founded on the latter; voluntary association grows up under the shelter of the compulsory legal order; in short, the associating members already belong to a constituted society (554). The anarchist's ideal has the merits and the defects of an ideal.

Enough has been said to show the general lines of Professor Stammer's reasoning. There is a striking affinity with the reasoning and occasionally even the language of the late Professor T. H. Green. As there is no sign that Professor Stammer is acquainted with Green's writings, the coincidence may be partly due to their common Kantian training, though we may hope it is still more largely due to a necessary agreement of right reasoners. (Compare, *e.g.*, Stammer, pp. 555, 562, 575, with Green's Works, vol. ii. pp. 308-354, and Prolegomena, p. 309; Stammer, p. 333, with Green, ii. 427 *seq.*) Stammer's book is more philosophical than economical; but it leads in directions whither economists must needs go if they would not be driven. It is not unkind to add that the arguments would lose no strength if stated in fewer pages than 600.

J. BONAR

Dictionary of Political Economy. Edited by R. H. INGLIS PALGRAVE, F.R.S., Vol. II. F.—M. (London: Macmillan. 1896, pp. xvi., 348, large 8vo.)

MOVED by a sentiment of impartiality and gallantry, honourable alike to them and to me, the editors of this journal have asked me to review the second volume of the *Dictionary of Political Economy*, produced under the authoritative direction of Mr. Inglis Palgrave. They have evidently considered that few persons would be better able than the co-editor of M. Léon Say in the *Nouveau Dictionnaire de l'Économie politique* to appreciate its plan and arrangement, and to compare it with foreign works of the same character. Thanking them for their opinion, I can only judge Mr. Palgrave's work by the aid of my own ideas, which inspired the production of our own dictionary. In other words, it is only with that undertaking that I am able to compare it.

To start with, the great number of articles in this volume is very striking; not a single social or economic phenomenon however slender, not an author however little known, not an expression tolerably significant in the language of our science, but has its article. The article is generally short, does not aim at being complete in itself, is independent of the rest of the doctrine, and yet does not seek to be self-sufficing.

Let me explain my meaning. In this kind of work we Frenchmen always aim at perfection. Our article, short though it be, must have a beginning, a middle, and an end ; it is an organism which takes form, develops, and terminates logically. We must have a beginning of a general character, next, the application of principles laid down, and then the conclusions from these principles. Add to this wit, style, philosophy—nothing less will satisfy us. Nine times out of ten ambitions so elevated are deceived, and the article turned out is a hundred miles from the one we wanted to make ; the tenth time we have a gem—everything is in its logical position and proportioned to its importance, theory suitably mingles with fact, the article itself is related to the whole work by opportune references, the reader has been taken by the hand, led out of the ignorance under which it is assumed, and often proved, he lay, the essential principles have been brought out for him, a more or less striking application has been shown to him as an example, and others of the same, or a different, order have been briefly indicated ; we have referred him to a few works judiciously chosen and sufficiently approved. He may now walk securely through the maze of science ; thanks to us he has the thread of Ariadne in his hand.

Open the *Nouveau Dictionnaire de l'Économie politique* where you will, and this will at once strike you. At the first pretext we invoke principles—the principles of liberty, of authority, and we philosophise at leisure. For facts we have—I do not say a scorn, but—certainly less concern than the English authors. In Mr. Palgrave's Dictionary positive documents surge up on all sides, figures first, abundant and precise. Take the articles on budgets and public finance ; a large part of them is given up to reproducing extracts from the budgets of England, France, Germany, the United States, and many other less important powers. Here and there a financial doctrine breaks loose from these figures, but timidly, not entering squarely into place, but peeping through the half closed door to indicate that it is not absent but is, on the contrary, close at hand, ready to be found by those who seek. With us, on the contrary, the general idea is in the foreground ; all the documents appealed to, the figures quoted, the extracts reproduced or analysed, tend only to prepare the entry of the doctrine on the stage, and once entered it does not quit its place.

Take, *e.g.* in the dictionary of M. Léon Say and myself, the articles "Budget," "Fortune de l'État," "Finances de l'Angleterre," you will find hardly any figures. Figures ? What for ? If we want them we have the year-books, the statistical journals, &c. ; but ideas, conclusions, principles, these are the things not to be found elsewhere, and expected to be found by a French reader in an economic dictionary. In the article "Budget," the author has attempted to bring out the best rules for drawing up the best budget ; he has appealed to the history of France or the experience of other nations, and has quoted from time to time facts and figures ; but these figures are combined, these facts chosen to bring about a conviction in the reader's mind and

to engage the politician to prepare the budget of his country in such a fashion and not in another. And similarly in the article "Finances de l'Angleterre," the writer has not attempted to instruct us upon the actual condition of those finances; not at all! he has endeavoured to show how by the distribution of her taxes, the reduction of her debt, the employment of terminable annuities, &c., England has made her finances prosper, and he ends by urging us to imitate her. An article thus conceived is not to be found in Mr. Palgrave's dictionary. I do not pretend at present that this is a good thing or a bad: I state the fact, and will give my opinion later.

A second difference between us is the fact that the *Dictionary of Political Economy* abounds in information upon men and upon the facts of the day, and in independence of judgment upon these men and these facts. Just now I compared it to a year-book; now I compare it to an encyclopædia. It contains everything: the description of the latest phenomenon, the judgment on a modern writer, the analysis of a document of yesterday. In this respect the superiority of the English dictionary is unquestionable. On the English-speaking world, on economic and social life, on the organisation of labour, on economic and other associations it contains a mine of inexhaustible information; and though many of these phenomena be probably of a transitory order, our authors must be thanked for recording them as they pass.

I appreciate equally, or to be frank, I prize still more, the articles so learned, free, and impartial on the different economic schools, Austrian school, English school, French school, Historical school, &c. The French school, which I know best, is described and judged with equal competence and fairness. Yet perhaps the author has not clearly distinguished a curious fact which dominates the history of economics in France for the last sixty years, or, more exactly, from 1840 to 1880. It is that France has been distracted from the study of the whole of economics by the capital importance to her of one alone among the problems of the science. While England has delivered a decisive battle on this point about half a century ago, and seems delivered in business and in science from the fear of this question which dominates so many other countries, France on the contrary having had only provisional solutions (one, among others, the most remarkable, imposed by the will of one man rather than snatched from the conviction of opponents) has seen these adversaries constantly return to the assault, so that it has been and is still necessary for the economic school, guardian of the ideas of liberty, to be ceaselessly, on behalf of commerce, at the gap, to defend this menaced liberty; and this constant pre-occupation has taken away all leisure for attacking, following, and solving other problems. Looking nearer, we shall see that from 1840 to 1880 the best French economists, with rare exceptions, have studied nothing else than economic liberty and its principal applications.

These circumstances are transparent in the articles devoted to this question in the two dictionaries. The article "Free Trade" in the English

dictionary is historical, in the French dictionary the article *Liberté des Échanges*, remarkable in many respects, and due to the pen of an American, Mr. W. Graham Sumner, is historical also, but at the same time dogmatic. This very different mode of comprehending the same subject is not merely, as might be thought, the result of a different turn of mind in the writers of two nations. Mr. Sumner, *e.g.*, an Anglo-Saxon, writes in the French dictionary an article of doctrine. The explanation lies in the opposed conceptions of the editors of the two works, conceptions inspired by the different needs of the two peoples. The English dictionary supposes (1) that the reader is at least summarily informed on the subject dealt with, does not need it developed *ab ovo*, and needs especially, to complete his knowledge, new documents, verified figures, and precise facts. So, without too many preliminaries or superfluous theoretical explanation, he is given what he wants. An extensive bibliography is added, goods books and mediocre all named together. It is the reader's business to find his way among them and pick out what suits. Sometimes he is given an article of pure erudition like the article "Forests": then it is a work of finished scholarship, leaving nothing to add, though the average reader may risk losing his way. (2) A very large number of purchasers is presupposed for the English dictionary. Its figures will soon grow old. Twenty years hence what will these extracts from the budgets of different countries be worth, and what purpose will they serve? To keep its value it must have its figures brought up to date, which implies a large demand and numerous editions. It seems, in fact, that addressing the public not only of England, but also of the United States and of the whole British Empire, editions may be expected to be numerous and frequent. (3) Finally the English dictionary shows only a modicum of desire for reform and for crusade. It describes institutions and things more than it criticises them; says "This is what is," oftener than "This is what should be." And this is not an evil any more than my remark is an objection.

On the contrary, the French dictionary supposes the French reader perfectly ignorant of political economy and considers that it has to teach him everything. It gives him a definition, examples, joins these examples to a general principle, &c. Each article is in itself a little monograph. Effort is made to introduce general ideas of durable truth, and we fight shy of figures which soon get old. Moreover, each writer has the temperament of the proselyte and apostle; the subject he handles is his own, he has a conviction and a system. He constrains himself to remain scientific, *i.e.* impartial: in spite of all, his system breaks forth, his article is a thesis and a brief, he always winds up with a plan of reform. Thesis and reform are the infinitely varied aspects of a single and constant doctrine, so that the *Dictionnaire* has been necessarily written by a limited number of hands and even contains a table showing in what order the articles should be read if it were wished to utilise it as a treatise on political economy.

This short parallel permits one to render to himself account of the value of the two works. Each of them seems best suited to the needs of its probable readers. As for the English dictionary its value is manifest: ample and trustworthy information, abundance of verified documents, bibliography of inappreciable value, it must be the *vade mecum* of him who wishes more knowledge. As for me, I should regard myself as very narrow minded and having very little ambition for science if I had not without ceasing this dictionary on my table—near and even before that of which I had in part the editing. And the public esteem which I have always highly professed for my own contributors gives the measure of that which I accord to the Dictionary of Political Economy.

JOSEPH CHAILLEY-BERT

NOTES AND MEMORANDA

LETTERS OF MALTHUS TO MACVEY NAPIER¹

[Two brief, but interesting letters, written in 1821, by Malthus to Macvey Napier, are included in the volume, *Selection from the Correspondence of the late Macvey Napier, Esq.* (pp. 29, 31-32), published in 1879 under the editorship of his son, Macvey Napier. The letters are concerned in the main with Malthus's proposed contributions to the *Supplement to the Encyclopædia Britannica*, of which Napier was then the editor, and give evidence of forming part of a longer correspondence. The recent acquisition by the British Museum of the Macvey Napier Papers—of which the published "Selection" comprises about one-half—has made accessible the remaining part of the correspondence.

These nine additional letters are of interest both for their actual contents and as supplementing those already published, and are here for the first time printed.²—

J. H. H.]

I.

E. I. COLL. Feb. 12 1822.

SIR—I am very sorry to inform you that circumstances have occurred which put it quite out of my power to execute the article on Population for the Supplement to the Encyclopedia at the time it will probably be wanted. Before I received your letter I had engaged to bring out a new edition of my last work on Political Economy early in this spring; and I had besides particular reasons, latterly, for wishing it to appear with as little delay as possible. When I wrote to you I thought I should be able to complete it in March or early in April, and that I should then be able to get the article on population finished by the time you mentioned: but the sickness and death of a brother whom I tenderly loved together with the subsequent business which it had occasioned, has for the last six weeks so entirely interrupted my literary pursuits that I should not be able to turn my attention to the article for the supplement till long after the time when it ought to be finished.

¹ The letters have been communicated to us with a prefatory note by Dr. J. H. Hollander, of Johns Hopkins University.—Ed.

² For the originals see, in the British Museum, *Macvey Napier Correspondence*, vol. iii., folios 28, 84, 96, 121, 123, 133, 148, 160.

I am obliged therefore to give up all thoughts of it; and I hope that this early notice of my inability to execute what I intended will prevent inconvenience to you, and enable you without difficulty to get the article supplied in time.

I am, dear Sir,
Your obedt. humble Servant
T. ROBT. MALTHUS.

II.

E. I. COLL. *March 11 1822.*

DEAR SIR—It would altogether have suited me better in the actual circumstances in which I am placed, not to write the article in the Encyclopedia; but I should be extremely sorry to cause you any real vexation or disappointment, and if August will be in time, I think I can with certainty promise it by the end of that month, at least if no unforeseen event should occur to prevent me. It has not been from any disinclination to write the article that I have hesitated, but from a real difficulty in regard to time and other engagements. It has sometimes however occurred to me that there is one disadvantage attending my writing such an article, namely, that I cannot with the same propriety as another refer to my own work.

I hope you are quite recovered from your indisposition; and I am,
Your faithful humble Servant
T. ROBT. MALTHUS.

III.

E. I. COLL. *August 28th 1822.*

DEAR SIR—I have got my promised article on Population for your Supplement in such a state of forwardness, that I think I can finish it in about a week, and I wish to know how you would like to have it sent; and whether immediately or not. I have referred to the Returns of the last Census in America as I found them in the *National Intelligencer* an American paper which a friend was so good as to send me, but I understand from Mr. Rush that the official Returns have not yet been formally published; and it is possible that the returns I have received may not be accurate. You will judge whether it is worth while to wait a little, if you are in no immediate hurry.

I have not yet begun any specified refutation of the arguments which have been advanced against the Principles of Population. I have answered them so fully before, and Mr. Godwin's work is so entirely destitute of any *new general argument*, except that which relates to immigration, which I have discussed in the early part of the article, that I have my doubts whether it would advisable (*sic*) to insert any formal reply to objections. I can do it however in a short time if you think it desirable. Without it the manuscript will probably take up about about (*sic*) three sheets. I conclude that you would like the

insertion of any tables which might facilitate the knowledge of the rate of increase under given circumstances without reference to Logarithms. What do you do about proof sheets?

Having promised, I did not like to disappoint you, but it has rather interrupted my vacation which we usually spend in a little tour; and this summer it was in Yorkshire.

I am, dear Sir,

Your faithful humble Servant

T. ROBT. MALTHUS.

IV.

E. I. COLL. Jan. 7th 1823.

DEAR SIR,—I send the remaining part of the article and hope it will be in good time. I thought I had seen reason to believe that the annual mortality in America was not greater than 1 in 50. But a work which has just lately fallen into my hands has convinced me that I was wrong, and that in my Essay on Population I was not quite right in adopting so fully Dr. Priest's mode of estimating the expectation of life in progressive countries. I shall therefore have occasion to make a few slight alterations in the proof sheets when they come to me, but they will be only slight. I should not however object to the expense of the postage, if you should prefer sending each sheet by the post.

I have subjoined two tables which may be useful. If you should like more, a summary of the English, American, Swedish and French Censuses might be added. The American is to be found in the National Calendar for 1822, p. 242. The French in the *Annuaire du Roi* 1822, p. 102, &c., and the Swedish in Mr. Milne's volumes and article.

I am, dear Sir,

Truly Yours

T. ROBT. MALTHUS.

V.

E. I. COLL. Jan. 25th 1823.

Dear Sir,—I was much surprised to hear that you had not received the Article on Population, which I forwarded, according to your directions, and just at the times I mentioned in my letter. When I sent the last portion to Messrs. Hunt and Co., I desired to have a line in answer, and in consequence received a note dated Jan. 8th. to say that the packets had arrived safe and that the first had been forwarded. On hearing from you I immediately wrote, and was informed by this morning's post that the packets had been sent on Tuesday by the Lord Melville, and would probably be at Edinburgh to-day. It is well you were not in much haste, or such unnecessary delay would have been vexatious. In a note enclosed in the recovered packet you will see that I wish to make one or two slight alterations in the

first two sheets, and the proofs may either be sent by the post separately, or in the way you mentioned in your letter.

It has been terribly cold weather for Sir James' journey. I hope you will send him back tolerably well.

I am, dear Sir,

Sincerely Yours

T. ROBT. MALTHUS.

I have only a very imperfect rough copy, so that if you do not get the article safe by the Melville, I could not restore it without much trouble.

VI.

E. I. COLL. *April 1st 1823.*

Dear Sir,—I know you will have goodness (*sic*) to excuse the liberty I take in asking you whether you could readily get me any information respecting the fall in the price of agricultural labour in Scotland since the highest wages during the war. I wish much, (for a particular purpose) to ascertain the point in England, but am defeated by the poor laws, and Scotland therefore I conceive be a better criterion. A short time ago I had occasion to write to Jeffrey, and made the same enquiry of him. I have been expecting daily to hear from him but I suppose he is so overwhelmed with law and reviewing that he has not a moment to spare. Perhaps you are in the same predicament as to time, in which case I ask for only one line by return of post, to say so. I shall be in Town the end of this week for a few days and wish, if you can write for me to receive it by Tuesday morning, that you would direct to 57 Great Russell Street, Bloomsbury. The information I wish to get is, the amount of, or proportion of the fall, in agricultural districts, of the price of common day labour independently of any allowances of food, liquor or other advantages. Perhaps you may have heard some general opinions respecting the fall, which you could give me directly, to serve till more accurate information can be obtained. If you see Jeffrey, tell him he has behaved very ill. I hope you received my last returns of the proofs safe. I sent them as you desired by return of post.

I am, Dear Sir,

Truly Yours

T. ROBT. MALTHUS.

VII.

E. I. COLL. *May 10th 1823.*

DEAR SIR,—I received your letter, and note for £73. 10s. safe, and should have acknowledged it before, but have been absent from home for two days. I think when you first proposed to me to write an article in the Encyclopedia, you mentioned £25 a sheet; and as nothing was

said on the subject by either of us on the renewal of the correspondence, I naturally concluded that the terms were intended to be the same.—But it is a matter of little consequence.

I received the packet of the separate copies, and am much obliged to you.

If you are in the habit of considering subjects of political economy, allow me to call your attention to the pamphlet on the measure of value which I have lately published. It is not in the form, in which I intended it should appear; but I think it contains a doctrine which leads to important consequences.

I have taken the liberty of making use of the information respecting the price of labour in Scotland which Mr. M'Culloch was so good as to get for me, and about which you took some trouble, for which I beg to return my thanks.

I am, dear Sir,

Truly Yours

T. ROBT. MALTHUS.

(Memo.—By mistake, I made the sum 70, instead of 80 guineas, as I intended. The addl. 10 guineas was immediately sent. See Mr Malthus' Letter, 19th. May.—M. N.)

VIII.

E. I. COLL. May 19th.

DEAR SIR,—I have received your note for the ten guineas safe, making up the eighty guineas, and beg leave to say that everything is quite satisfactory.

I am quite aware of Mr. M'Culloch's merits, though I differ from him. It would indeed be almost too much to expect that he should agree with me in my *measure of value*, when it would oblige him to give up Mr. Ricardo's theory of profits, and restore the empire of demand and supply. The question will be determined slowly,—perhaps not by those who have yet appeared in the controversy; but I feel very confident in the final result.

I am, dear Sir,

Truly Yours

T. ROBT. MALTHUS.

IX.

E. I. COLL. Jan. 18th 1830.

MY DEAR SIR,—It has been suggested to me by some friends, that, as the subject of population is reviving, on account of Mr. Sadler's strange work, which he has published, and the further large one which he has promised, it would be desirable to have some short and *cheap* account of the principle of population, or answer to the main arguments against it in circulation, in order that the great mass who talk about it, may have easy means of getting better information on the subject

than they appear to have at present. I own that I don't feel inclined to take much trouble with such an opponent as Mr. Sadler, but in consequence of the above suggestions it had occurred to me that my appendix to the third edition, and some additions which were made to it in the fifth, might be published separately in a cheap form with advantage to the cause of truth, and without my appearing to come forward personally as an opponent to Mr. Sadler.

Upon looking over however my article in the *Encyclopædia Britannica* or rather the Supplement, I am inclined to think that the early part of it, and a portion of the latter part would greatly add to the utility of the publication; and I wish to know from you, whether the Proprietors of the *Encyclopædia* would object to my publishing what part of the article I may think best suited to the purpose in a separate and cheap form referring to the more scientific parts. Have the goodness to let me know as soon as you conveniently can. In your last edition of the *Encyclopædia*, I should like to make one or two slight additions, particularly in consequence of some accounts which I have received from Canada, which illustrate the births, deaths, and marriages of an *American* population, of which there are no accounts which can be depended upon from the United States. I hope Jeffrey is well and prosperous. Remember me kindly to him.

I am, my dear Sir,

Truly Yours

T. ROBT. MALTHUS.

[We are indebted to Professor H. S. Foxwell for permission to print the following letter, the original of which is in his possession.—ED. E. J.]

LONDON Nov. 28th [1800].

MY DEAR TURNER—Your letter was sent to me to Bath, where I have been on a visit to a family of pretty cousins, I could not therefore look down long enough to write a letter. On my return I made a short packing up excursion to Albury, and am now got into my garret in Town, though the present is only a temporary lodging, till I can fix upon one that will suit me for the winter. Before I went to Bath, I had been to Hastings for some time with my sisters, and in my ride to Town, an idea with regard to the present high price of provisions struck me so strongly, that in the day or two that I remained in Town previous to my Bath expedition, I determined to write down a few thoughts on the subject. I send you the result, which would have come to you sooner but from a mistake of Johnson's. I sat up till two o'clock the evening before I went to Bath to finish it that it might come out before the meeting of parliament. You will see that it was written in a hurry; but such as it is, it has obtained some little notice. A friend of mine gave it to the Chancellor, who called it the best that had appeared on the subject, and immediately sent it to Mr. Pitt. I know not the opinion of the latter about it; but whether from that or from some other source, you will see that in the first report of the

committee of the House of Commons, now just published, much of the same kind of reasoning has been adopted.

I expect your thanks as a farmer; and if I am ducked by the mob I hope the monopolizers and forestallers will give me some dry cloaths. The circulation of this pamphlet, and the[] pre[va]iling conversation about the popu[lation] of the country, has caused enquiries to be made about the Essay which is now no where to be bought. This I hope will animate me to proceed in another edition, though to say the truth I feel at present very idle about it.

As I am not yet settled, you shall direct if you please to No. 37 [? 3 indistinct] Great Russel Street Bloomsbury where my brother-in-law Bray, lives, and where I shall be sure to get any letter very soon after its arrival. Pray never make an apology for talking of yourself and your family as it is information that will always most interest me. I am sure I ought to apologize for talking of myself in this letter but I wish to encourage you to return it in kind. [Here follow two lines obliterated evidently with ink different from that used by the original writer. The Letter proceeds] I am inclined to think that those which open the soonest are not always the best. I am sorry to hear so indifferent an account of Mrs. Turner, my best respects.

Yours most sincerely

R. MALTHUS.

REV. GEORGE TURNER,
Littleburgh,
Wickham Market.

RAILWAY COMMISSION

THE recent judgment of the Railway Commission in the case of the South Yorkshire Coal Owners' Assurance Society *v.* the Midland Railway Company, the last of a group collectively known as the "Coal cases," affords a convenient occasion for noticing the effect of the latest attempt to regulate railway rates *ab extra*. There can be little hesitation in accepting the verdict of the most experienced railway lawyer in the country, Mr. Balfour Browne, as stated by him the other day before the London Chamber of Commerce, that, like its predecessors, the "feeble attempt at regulation" embodied in the Railway and Canal Traffic Act of 1894 has "failed." This Act, it will be remembered, provided, to put it shortly, that whenever a railway rate for goods is increased it shall lie on the Company to prove that the increase is reasonable. But "by what standard," asked Mr. Justice Collins in the first case, "are we to try the question of reasonableness? The Legislature have left us at large on the matter." It certainly cannot be said that so far the Commission have been able to work out and apply a satisfactory standard for themselves, still less that they have agreed as to the method in which such a standard is to be applied to the concrete facts of an individual case.

One or two points, however, stand out sufficiently clear to be noted here. "I think," said Mr. Justice Collins, in the first of these cases, "that the reasonableness of a rate is not to be tried by its effect upon the trade of the persons who have to pay it." This would seem to imply that a course might be at the same time legally reasonable and morally and economically most unreasonable. Imagine, for instance, a disastrous failure of the English harvest at a time when trade was exceptionally flourishing, and consequently labour and materials exceptionally dear. The consequent increase to the Companies in the cost of service would apparently be held to justify an advance in the rates for agricultural produce exactly at the time when the farmers could least afford to pay it. Broadly, in fact, the Commissioners have said: "We are not a Court of conciliation or a tribunal of honour. We are not made judges of prudence or of generosity." We must therefore decide the questions put before us not by general considerations of expediency or business morality, but according to definite objective considerations which can be precisely measured. The most obvious of these considerations is cost of carriage. Show us that the increase of cost is at least equivalent to the increase of rate, and we will hold that the increase of rate is reasonable. Whether, however, the increase of cost must necessarily have been incurred wholly in regard to the particular article or articles upon which the increase of rate is levied is not quite so clear, though the Commission appears to lean to the view that this must be so. Further, the Commission has accepted the fact of certain sporadic rates having been *per incuriam* left lower than the main bulk of similar rates as sufficient justification for their increase up to the normal amount. It may perhaps, therefore, be assumed that they would not refuse to listen to evidence justifying an increase in 1897 over the rate in force in, say, 1890, by proof of the fact that the rate in 1890 was fixed unduly low—unduly low, that is, when comparison is made between the particular cost to the Company of doing the particular business, and the average cost of doing its average business. Or again, there is nothing to prevent the Commission from accepting as sufficient justification the fact that an exceptionally low rate had been established in the hope of attracting a wholesale traffic, that the wholesale traffic had not come, and so the rate had been withdrawn; or again, that it originally had been put in force under the stress of temporary competition since removed. Such cases, however, have not yet come before the Commission, and we cannot, therefore, be sure what course it would take. The main point, however, that cost is to be regarded and not commercial considerations, may be taken as sufficiently clear.

What, however, is to be the standard by which cost shall be determined, remains entirely unsettled. In the cases already decided, Mr. Justice Collins has treated the percentage relation between earnings and expenses of the traffic concerned—the expenses being of course ascertained by accepting a number of hypotheses, each of which

individually is open to question—as the best test available; Sir Frederick Peel has twice reiterated his preference for train-mile statistics; Lord Cobham has as good as said that neither of these tests is trustworthy, and that he does not believe a trustworthy test can practically be found. This being so, there is evidently a good chance of the Court being divided in opinion when any individual case comes up for decision, as indeed has generally happened hitherto. More than usually, therefore, the old maxim stands true, that nothing is certain in law except the expense. Now the expense in connection with these cases is very considerable. Members of Parliament may reiterate as much as they please that these questions are simple and the decision of them should be cheap. But when they come into court the litigants on both sides are found to have thought it prudent to engage the services of the most eminent men at the Bar; and such services are not cheap. Further, the scales are and must be heavily weighted against the applicants, who cannot possibly know the figures of the Railway Company's business as well as the Company itself knows them. Under these circumstances it must be admitted that, except for its possible effect in frightening an arbitrary and hot-headed manager from making an inconsiderate increase, the Act of 1894 is not likely to afford much protection to the trader. On the other hand, it cannot fail to have considerable effect in deterring managers from reducing rates, from fear of complications, should they be restored to their original height hereafter.

At the Chamber of Commerce meeting already alluded to Mr. Balfour Browne suggested that "reform might be effected by making the Railway Commission more of a commercial and less of a legal tribunal." With submission to Mr. Balfour Browne's great authority, it is, I think, clear that it is not in the composition, but in the legal position of the tribunal that the difficulty lies. No one can read the judgments of the Commissioners without seeing how strongly they are convinced that a mandatory injunction to perform precise acts is not a practical method of securing the wise and business-like conduct of an undertaking. It is safe to say that, had the Commissioners been divested of their unfortunate power to enforce their decisions as to the reasonableness of increases, they would have listened to quite other arguments, and would have been much more likely to agree both in their decisions and in the grounds for them. It is safe also to say that, if, after full hearing, the Commissioners were clearly and unanimously of opinion that an increase was unreasonable—using the word now not in a legal but in its ordinary rough work-a-day sense—no Company would venture, unless under very exceptional circumstances, to maintain it. Further if, as would sometimes doubtless happen, the Commission were to decide that a particular increase was reasonable, the traders would, if the experience of Massachusetts is any guide, be much more likely to acquiesce in the reasonableness of the decision, than when judgment is given on the highly technical grounds which alone avail at present.

But it is probably waste of time to argue at the present moment in favour of the State voluntarily disrobing itself of compulsory powers which it has once unfortunately assumed. Some of us may, however, at least have the satisfaction of feeling and saying, "I told you so."¹

W. M. ACWORTH

IMPORT AND EXPORT INDEX-NUMBERS

IN spite of the numerous calculations and publications on this subject,² it may be worth while to print a note on the most recent changes, since the method of calculation differs in some respects from previous methods, and the comparison of results throws light on the accuracy of index-numbers. The calculation was made in the statistical class of the London School of Economics last Autumn and has since been verified. The chief differences between this and previous calculations lie in choice of 1881 as base year, which affords means of comparing the effect of different base years, and in the curtailing of the numerical work to its smallest dimensions by leaving out all figures which could not influence the result. For this latter purpose, only these exports were included which amounted to £300,000 (according to the tabulation of the Statistical Abstract) and those imports which reached £1,000,000³ at any time between 1881 and 1895. In the course of the work it was clear that the inclusion of smaller items would not have affected the result. To save time further each number was only calculated to the third digit. All index numbers are intrinsically approximate, and are so far from being exact that it is generally useless to evaluate them within 1 per cent. In the case of import and export index numbers, the approximation has errors of its own, different from those of the *Economist's* or Sauerbeck's. For in the first place there are many headings in 1895 which have nothing corresponding to them in 1881, while very many classes of goods, such as horses, books, pictures and machines, are not sufficiently definite to make their average price of any statistical value; the result being that the items which are available for calculation only amount to some three-fifths of the total. Secondly, those items which are included are not, generally speaking, homogeneous, since, for instance, we speak of cotton piece goods under a single denomination. A list of headings shows 114 classes of goods (imports and exports) were considered as separate entities. Moreover, the actual returns of imports and exports are not absolutely correct, so that throughout the whole work the element of approximation is continually entering. No individual figure

¹ See "Evidence before Select Committee on Railway Rates and Charges," questions 7653, *et seq.*; House of Commons, paper 385 of 1893.

² *E.g.*, *Journal of the Stat. Soc.*, March, 1896 (Sauerbeck); June, 1893 (Bourne); and annual calculation of volume and value of foreign trade in the "Commercial History and Review" of the *Economist*.

³ Hops were accidentally omitted.

can be considered accurate within 1 per cent. The total numbers will, of course, by the theory of errors, be more exact, but in consequence of the large groups necessarily excluded, this comparative exactness disappears in the final result. I have therefore been content throughout to work each individual number correctly to the third digit, and the resulting index numbers to the second or third. That these numbers are probably correct to this limited extent, is shown by the table here given, where it is seen that difference of base years has little effect on the result. Moreover, in verifying the work, I used slightly different items and groups to those done in class, with the result that one or two numerical mistakes were discovered but the final numbers otherwise unaffected.

The method adopted, in all the calculations here quoted, is as follows:—any year is selected, 1881 in this case, 1873 and 1883 in the Board of Trade figures. The prices of goods in that year are calculated. Goods, imported or exported in each succeeding year, are valued at the price of the base year, so that the changes in these values are proportional to the changes in quantity. The declared value of goods, divided by the total value calculated by this method, gives the required index-numbers. Thus, if a_1, b_1, c_1, d_1 , units of goods of values $\alpha_1, \beta_1, \gamma_1, \delta_1$, pounds are imported in the base year, a_2, b_2, c_2, d_2 , goods of values $\alpha_2, \beta_2, \gamma_2, \delta_2$, pounds in another year, the index number is $100 \times \frac{\Sigma a_2}{\Sigma a_1 \cdot \frac{a_2}{a_1}}$, where 100

is the index for the base year.¹

It will be seen at once, that the choice of the base year makes some difference to the result for other years. For the prices of goods $\frac{a}{a}$ in that year enter in the working out of the fractions for each year, so that a change of base year will make a change in each of the results. In a comparison of years near each other a larger group can be taken than for a long period, for in the latter case neither new nor obsolete goods can be included, and their inclusion, if it were possible, might well have a definite effect. The *Economist* gives the necessary figures for making this calculation year by year, and the mere geometric mean of the index numbers thus found may perhaps afford the truest method of computing an index-number which connects two years a long time apart; the result is given below.

It is a little difficult to define the exact meaning of the quantity measured. We are aiming at the numbers which shall best represent the general change of prices of imports and exports. Our result gives the ratio of the declared value of the goods to the value they would have had if their prices had remained unchanged. The method is

¹ Prices in base year are $\frac{a_1}{a_1}, \frac{\beta_1}{\beta_1}$, &c.

Values in other year at these prices are $a_2 \times \frac{a_1}{a_1}, b_2 \times \frac{\beta_1}{\beta_1}$, &c.

Then 100 : index number :: value at base prices : declared value.

equivalent to weighting the separate ratios of prices by the declared values for the year in question. Other methods of weighting may reasonably be taken; for instance the average of the different ratios of prices in the second year to those of the first year¹ or *vice versa*, or the median of these ratios, which is very nearly the same thing, give index-numbers. For imports, our calculation gives 67·4 as index-number for 1895; the average of the ratios is 73·4 and their median 72½, very nearly the same; for exports, our calculation gives 82, which is also the average of the ratios, while their median is 81. The geometric averages of these ratios give 72½ (imports) and 78½ (exports).²

It is clear that these numbers cannot be taken to represent the general change in the purchasing power of gold. For they relate to certain well-defined groups of commodities, imports being dominated by the prices of wheat, sugar, cotton and wool, and exports by the prices of manufactures of iron, steel and cotton; but since figures such as these are the only large general group of known quantitative transactions, they have their value. It will be noticed that exports have fallen in price very generally at a slower rate than imports, a fact of the greatest importance, which however, it would be dangerous to try to interpret here. The close similarity of import in index numbers to Sauerbeck's ordinary numbers is also very interesting. Export index-numbers are yet more close to those of the *Economist*. A very remarkable correspondence is found between the course of imports and exports thus approximately valued at fixed prices, and the course of the total tonnage entered and cleared for foreign and colonial trade. So close is the resemblance of the series of figures that we are almost justified in regarding the tonnage cleared as a true mathematical measure of the quantity of our foreign trade.

The almost exact correspondence of the figures here first given on the basis of 1881 prices with those given by Mr. Sauerbeck on an 1873

¹ $100 \times \frac{\sum \frac{p_2}{p_1}}{n}$, where p_1, p_2 are prices of any commodity in the two years, and n , number of commodities.

² COMPARISON OF INDEX-NUMBERS FOR 1895 OBTAINED BY DIFFERENT SYSTEMS OF WEIGHTING (1881=100).

Ratio of Prices, &c	$\frac{P_2}{P_1}$	Weighted by de- clared values of 1895.	Weighted by declared values of 1881.	Arithmetic Mean.	Median.	Geometric Mean.	Reciprocal of A.M. of $\frac{P_1}{P_2}$, &c.	From <i>Econo- mist's</i> figures, V. p. 275
Imports	.	67½	69	73½	72½	72½	69	
Exports	.	83	87	82	81	78½	75	71

IMPORT AND EXPORT INDEX-NUMBERS

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TABLE OF RESULTS.

Years.	IMPORTS. Index numbers.				EXPORTS. Index numbers.				9.	10.	11.	Reduced		13.	Reduced		15.	16.	INDEX-NUMBERS.		19.	20.		
	Board of Trade.				Board of Trade.							Total	De- clared Value Imports 1 = 1,000,000 AT 1881 PRICES.		Total	De- clared Value Exports 1 = 1,000,000 AT 1881 PRICES.			Sum of columns 13 and 14 Total AT 1881 PRICES.	New calcula- tion at prices of 1873 and 1881. Forward, Col. 16 March, 1896. Col. 15.			At prices of 1873 and 1881. Forward, Col. 16 March, 1896. Col. 15.	Total SHIP- PING entered and cleared as percentages of their values in 1881.
	Valued at prices 1873.	Valued at prices 1883.	Valued at prices 1891.	Valued at prices New calcula- tion.	Valued at prices 1873.	Valued at prices 1883.	Valued at prices 1891.	Valued at prices New calcula- tion.																
1.	2.	3.	4.	5.	6.	7.	8.	9.	10.	11.	12.	13.	14.	15.	16.	17.	18.	19.	20.					
1873	115	115	—	144	—	143	—	130	133	371	322	255	177	626	499	126	126	79	76					
1879	96	95	—	101	—	100	—	94	94	363	352	192	192	535	574	86	—	91	91					
1880	100	100	100	104	104	100	100	100	100	411	409	223	214	631	625	102	—	99	101					
1881	—	100	100	—	—	100	100	—	—	357	397	234	234	631	631	100	—	100	100					
1882	—	—	98	—	—	—	102	94	102	413	421	211	236	654	657	89	—	104	106					
1883	96	97	96	100	100	100	100	96	98	427	445	210	240	667	685	97	94	108	112					
1884	100	99	90	97	97	98	97	89	96	390	433	233	239	623	672	92	93	106	111					
1885	84	84	86	94	94	94	94	85	90	371	426	213	227	581	653	89	88	103	111					
1886	78	80	79	88	88	87	89	81	85	350	443	213	239	563	682	82	83	108	108					
1887	78	80	78	—	—	—	—	80	87	362	464	222	252	584	710	81	82	114	112					
1888	—	—	80	—	—	—	—	82	93	338	482	235	261	623	713	84	84	118	118					
1889	—	—	81	—	—	—	—	85	92	438	525	240	275	677	706	85	85	126	126					
1890	—	—	81	—	—	—	—	85	95	421	520	264	275	685	795	86	86	136	136					
1891	—	—	81	—	—	—	—	85	94	435	537	267	257	682	794	86	86	129	129					
1892	—	—	77	—	—	—	—	80	93	447	547	227	252	651	799	82	82	131	131					
1893	—	—	76	—	—	—	—	80	90	405	533	218	216	623	779	80	80	124	124					
1894	—	—	70	—	—	—	—	74	89	408	583	216	254	644	817	74	74	133	133					
1895	—	—	67	—	—	—	—	73	83	417	618	226	271	643	859	72	73	141	139					

basis,¹ (which I had not noticed or reduced till the new calculation was finished), may give statisticians new confidence in weighted averages, since we have here another instance of the small importance of a difference in systems of weighting.

A. L. BOWLEY

WHAT IS CAPITAL?

THOSE who care for such trifling matters recognise three degrees of precedence in respect of the formulation of new economic doctrine. First, there is the discoverer; second, the anticipator of the discoverer; and third, the discoverer of the anticipator of the discoverer. Dr. Irving Fisher is entitled to the highest of the three places since he has been the first to announce the true relation of capital and income in the *ECONOMIC JOURNAL*, and in such a way as to command attention. Not content with this position, he has laid claim to the third place also by attributing the second to me.²

I am not a believer in the heroic theory of discovery, still less in the heroic theory of anticipation. As is well known to readers of the book which Dr. Irving Fisher quotes, I have endeavoured to show that some of what are considered the finest products of the abstract reasoning powers of great economic geniuses were really generalisations made by very ordinary people—in one most important case by the very impersonification of respectable mediocrity, a House of Lords Committee. I am not the least inclined to make an exception in the present case; a short investigation among almost forgotten MSS. which was undertaken in consequence of certain inquiries privately sent me by Dr. Fisher, has convinced me that it was simply inevitable that I should perceive the very obvious truth that capital and income should be distinguished by their different relation to time.

An economist's conception of capital has always been very largely dependent on the form of the accounts kept in the business with which he happened to be most familiar or took as his type of all businesses. It happens that the accounts with which I was most familiar when I came to what in ordinary cases are years of discretion were the accounts of English railways. In no accounts are capital and income more plainly distinguished, and in very few is it more evident that the statement relating to the total amount of capital gives the condition of things at a point of time, while the revenue account deals with a length of time, namely a half-year. The fact that a thing is obvious is not of course always a reason for noticing it and realising its importance. Such a

¹ If p_3, q_3 , &c., p_2, q_2 , &c., p_1, q_1 , &c., represent price: in 1895, 1881, and 1873, respectively, and α, β, γ , &c., declared values in 1873, Mr. Sauerbeck's index for

1895 is $\frac{\sum \alpha}{\sum \alpha \cdot \frac{p}{p_3}}$, while mine is $\frac{\sum \alpha}{\sum \alpha \cdot \frac{p_3}{p_3}}$.

² *ECONOMIC JOURNAL*, Dec. 1896, vol. vi., p. 533.

reason was probably (my recollection fails me here) furnished by a search for a wages-fund. In no capital account does a wages-fund for current labour appear, and if any one is in search of the wages-fund and has looked for it in accounts like those of an English railway, he cannot fail to ask whether exactly the whole of, or more than, or less than a half-year's wages are supposed, according to the theory, to be a part of the capital of the company. Accordingly in an essay written for the Oxford Cobden Prize of 1886¹ I find the following passage, which I venture to transcribe in full, as we are now threatened with an attempt to revive the theory which it condemns:—

“What the wages-fund itself was supposed to be is not an easy question to answer. It was no doubt a part of ‘wealth’; but was the wages-fund of a community a part of that community's income or a part of its realised possessions? Believers in the wages-fund do not tell us directly, but they certainly suppose the wages-fund of a community to be a part of its capital. Now whatever may be said of ‘capital’ without the definite article, it can scarcely be the case that any economist would venture to assert that *the capital of the community* is a part of the community's income. Mill, it is true, says of ‘a manufacturer’ that ‘as much of his personal or household expenditure as does not exceed a fair remuneration of his labour at the market price, must be considered a part of his capital’ (*Principles*, I. iv., § 2 *ad fin.*), and similar passages may be found in abundance, but no economist, if pressed, would deny that at any given point of time the capital of a community is not what the labour of the community is daily, weekly, and yearly producing, but (if not the whole of, at any rate a certain definite part of) the wealth which the community *has* at that particular point of time, then and there. John Smith's capital, as we all know, is at the present time not what he spends in a certain way, in a week or a year, but what he *has* at the present moment; it may be nothing but the clothes he stands in and sixpence in his pocket, or it may be £6,000,000 worth of railway, but it is not a pound a week or £300,000 a year. Similarly the capital of England is not a part of the income of the English people. The wages-fund of a community, then, as it is part of the capital of the community, must be at any particular point of time a definite amount, or quantity, or number of commodities, all in existence at that particular point of time. Once grant that the wages-fund of a community is a mass of existing wealth at any particular point of time, and the wind-bag collapses. Believers in the wages-fund theory assert that ‘the average rate of wages’ (that is, the wages which would be received by each labourer if all received equal wages), ‘is equal to the amount of the wages-fund divided by the number of labourers.’ To illustrate this proposition let us take an arithmetical example:

“Given the wages-fund to be worth £100,000,000, and the number of labourers to be 10,000,000, what will be the average rate of wages?

$$\text{Answer: } \frac{\text{Wages fund}}{\text{Number of labourers}} = \frac{£100,000,000}{10,000,000} = £10$$

“Had it been the custom to give ‘examples in the wages-fund’ in elementary

¹ Of course this essay was never published. The prize was won by Mr. Llewellyn Smith, and Mr. L. L. Price was honourably mentioned, so that though open only to members of the University of less than seven years' standing, it was competed for by no fewer than three present members of the Council of the British Economic Association.

arithmetic books, the wages-fund theory would have been exploded long ago ; for, after working out an example like the one just given, some intelligent child would have inquired whether the answer (£10 in this case) indicated the average rate of wages for an hour, a day, a week, a year, a lifetime or all eternity. It is almost incredible that the upholders of the wages-fund did not state explicitly whether they considered the wages-fund was equal to an hour's wages, or a year's wages, or ten years' wages. It is, if possible, still more amazing that their omission to do so has been calmly acquiesced in. Mr. Cairnes, who believed in the wages-fund theory, asserted that the proposition that the average rate of wages is equal to the wages-fund divided by the number of labourers, 'cannot be taken to contain controversial matter,'¹ and Mr. Jevons, who did not believe in the theory, denounced that proposition as 'an arithmetical truism.'² Both were wrong, for the proposition is absolutely meaningless ; 'the average rate of wages' cannot by itself convey any idea to the mind. We know what 'a week's wages' means, and we know what 'a year's wages' means, but to talk of the average wages paid in a community being equal to something without mentioning the period of time for which the wages are paid is palpably absurd."

The essay proceeds to explain that the period of time more or less unconsciously understood was a year, and refers the origin of this idea to the old identification of wages with wheat. It then attacks the more general theory that wages are paid out of or advanced from capital, and draws a lurid picture of the L. & N. W. Railway directors issuing a report to the shareholders in the following terms :

"Your directors, having made some study of the works of Mr. Mill, Prof. Cairnes and other economists, are convinced that the wages of the company's servants, being productive expenditure, should be charged to capital. They therefore recommend the proprietors to authorise them to apply to Parliament for power to issue sufficient debenture stock to defray next year's wages account."

Then it explains the double meaning of "save," viz. to spare and to store up ; and concludes :

"Every community has at any and every point of time, a stock of wealth which is called its capital ; this stock is not actually divided, and cannot be divided in imagination into 'fixed' and 'circulating' capital, and even if it could be so divided, the amount of the 'circulating' capital would not in any way indicate the amount of wages paid in an hour, a week, or a year."

Soon after finishing this essay, I wrote in the spring of 1886, an article entitled "The Two Wealths," which was never published,³ but was read in a somewhat amplified but less symmetrical form to the Oxford Economic Society on March 1, 1887. It begins thus :—

"It is a curious illustration of the crude state in which 'the science of economics' still remains, that economists do not yet appear to appreciate the fact that however they may define the term 'wealth,' the wealth of an individual or nation may mean either of two things, but cannot possibly mean both at once. The wealth of an individual or community may be either the wealth

¹ *Leading Principles*, p. 160.

² *Theory*, 2nd ed., p. 290.

³ Several editors wisely declined it. The day of specialist economic periodicals had not then arrived.

possessed by the individual or community at a given *point* of time, or the wealth enjoyed by the individual or community in a given *space* of time; it cannot possibly be both at once."

It then instances Smith, who has much property and little income, and Brown, who has a large income and little property, and remarks: "the Chancellor of the Exchequer, if he were thinking of the death duties, would call Smith the wealthiest, but if he were thinking of the income tax, he would call Brown the wealthiest."

Two propositions are laid down in the article. The first of them is "that just as the wealth enjoyed by an individual or community in a given *space* of time is always called the income of the individual or community"—additions to the capital, which are not exactly "enjoyed," seem to be forgotten—"so the wealth possessed at a given *point* of time ought to be called, and is generally called, the capital of the community or individual." The proof of this proposition is not found very difficult:—

"It can hardly be supposed that any one will deny that an individual's income is described as 'so much a year,' or 'so much a week,' and that an individual's capital is described as 'so much at such and such a time.' It is, in fact, universally recognised, that an individual's capital exists at a point of time, and not in a length of time, and that his income exists in a length of time, and not at a point of time. The same distinction, surely, is to be found between the capital and the income of a community; a community has a certain amount of income in the year 1886 and a certain amount of capital at 10 a.m. on the 1st of June 1886, but it has not a certain amount of income at 10 a.m. on the 1st of June, nor a certain capital in the course of the year 1886. Consequently the only question at issue is whether the whole of the wealth possessed by a community at a given point of time, or only a part of it, is to be considered the capital of that community."

The article first deals boldly with the hackneyed objection "Your definition may be scientifically correct, but it is too far removed from ordinary language."

"There can be no doubt that in the language of every-day life an individual's capital is the whole and not only a part of the wealth which he possesses at a given point of time. 'John Smith's capital' is the whole of the wealth which John Smith possesses at the present moment, as opposed to the income which he receives in a certain length of time. It will be objected that a man does not usually call his land, house, furniture and clothes part of his capital. This, however, is a superficial view of the matter. A man usually speaks of his capital being so many 'pounds,' but this, of course, is merely metaphorical; his capital is not a certain number of gold sovereigns but certain other things which it is thought might be exchanged for so many sovereigns. Now very probably in reckoning up his capital, a man may often omit to reckon the value of his land and house, furniture and clothes, into the number of pounds which he calls his capital; but let the question be put to him: 'Is the capital of A, who has ten thousand pounds' worth of railway shares, as great as that of B, who has ten thousand pounds' worth of railway shares and a fine freehold house as well?' He will answer without hesitation 'Certainly not.' No one would think of saying that a man could increase his capital by either selling or letting his own

house, and hiring another for himself ; yet this is what we should be obliged to assert if a house inhabited by its owner is not a part of his capital. No one thinks that his railway shares are not all part of his capital because the railway company owns the land on which the railway is built."

Concluding that common usage affords no excuse for not identifying the whole stock with the capital, the article proceeds to the easy task of ridiculing the division of the stock into what is employed productively, and what is employed unproductively. "This division," it says, "is thoroughly unsound ; it does not exist in fact, and it cannot be imagined to exist without confusion of thought." To reproduce the argument against it at this time of day is wholly unnecessary, as no one now really defends it.

The article postpones the question whether the land should be included in the capital of a community, and then apparently forgets it. The Economic Society paper rightly says it is a mere question of classification and nomenclature involving no confusion of thought, but finds room for a somewhat ferocious onslaught on President Walker's unhappy "two reasons why the economist insists upon treating interest and rent separately." It points out that the decline of interest which President Walker contrasts with the rise of rent, is a decline in the ratio which interest bears to principal, while a rise of rent is a rise of the absolute amount of income allotted to rent, and that there is not the least reason to suppose that the aggregate of interest is declining. President Walker's statement that, "there is not any no-interest capital," is met with a flat denial. He is supposed to have argued thus : "There is no pound's worth of capital for which a person does not get at least $7\frac{1}{2}d.$ of interest, *ergo* there is no no-interest capital" ; whereas he might equally well have argued "There is no pound's worth of land for which a person does not get at least $7\frac{1}{2}d.$ of rent. Therefore there is no no-rent land." The law of rent, such as it is, applies to every kind of commodity—"there is a law of rent for every kind of useful material object, not only for pieces of land. There is always a number of ships just going to be broken up, a number of houses just going to be pulled down, a number of horses just going to the knacker. All these things are on the margin of cultivation, or rather of use."

Not finding much encouragement in private, I did not attempt to use the term capital in the new sense in *Elementary Political Economy*, published in 1888, and not being willing to pretend to use it in the old sense or non-sense, I avoided using it altogether, substituting "stock of useful material objects" when dealing with production, and "property" when dealing with distribution—rather an unsatisfactory subterfuge in both cases.

In 1890 appeared the first edition of Prof. Marshall's Volume I., in which, though no quite explicit statement is made on the subject, the capital of a community is obviously conceived as a portion of the goods possessed at a point of time, and no trace of the old confusion between capital and working expenses can be detected. The same thing of

course may be said of some earlier works of importance, such as those of President Walker in America, and Prof. Sidgwick in England, but for some reason, probably connected with the fact that instead of using the bludgeon or the knife on decayed doctrines, he prefers to smother them like Tiberius under a heap of clothes, Prof. Marshall is accepted as an authoritative writer even by the stalwarts of the old school. Moreover he suggested the proper correlation of capital and income by the hitherto unusual course of giving a whole chapter to "income," and placing it immediately after the chapter on "capital," though the effect of this was slightly diminished by the fact that these chapters were immediately preceded by chapters headed "Productive" and "Necessaries," instead of by the chapter on "Wealth." Consequently since that time it has appeared to me allowable to treat the confusion between capital and periodical expenditure as dead, and it is so treated in the "incidental description" which Dr. Irving Fisher quotes:—"At the present time the wealth of an individual may mean either his possessions at a given point of time, or his net receipts for a given length of time. When we say that Smith is richer than Jones we may always be asked to explain whether we mean that Smith has more capital or more income, or more of both."

Dr. Irving Fisher's comments on this passage seem to be caused by some difference in the meaning attributed to "income" on this and the other side of the Atlantic. He objects altogether to the insertion of the word net, and says "it is obvious that the term income should be applied as freely to gross as to net receipts." Now whatever may be the case in America, there can be no doubt that in England the income of an individual is, in ordinary conversation, understood to be "the money he can spend on himself without encroaching on his capital," and not the whole of the money he receives in a given period. Dr. Irving Fisher quotes in support of his view the "income account" of every great business concern. I do not find the term in the accounts of four very great business concerns which happen to be before me, namely those of the L. and N. W. Railway, the P. and O. Steam Navigation Co., the Gas Light and Coke Co., and the London and County Bank. I presume the American practice is to give the name income account to what is called in the first and third of these the "revenue account," in the second the "general working account," and in the fourth the "profit and loss account." But this application of the name does not prove anything, since there is obviously much in the account which is not income, viz. the expenditure or outgo. Moreover, as against Dr. Fisher's income accounts, we may appeal to the term "income-tax." No one thinks an income-tax is or at any rate ought to be a tax on gross receipts; it is for the most part, and ought always to be, a tax on the net receipts of individuals, and in so far as it is not this, every actual income-tax is admittedly imperfect.

Inconvenient as it is to apply the term income to gross receipts

when we are thinking only of separate individuals, it is much more inconvenient when we come to consider the community. Dr. Fisher objects, quite rightly, to the use of the word "ridiculous" in my remark that "to add together the gross receipts of every separate business would bring out a ridiculous total the amount of which would depend chiefly on the number of different owners into whose hands products pass successively on their way to the consumer." But he seems to shrink from asserting that this total is the income of the community: he only says it "is the work of exchange done by money."

Many, if not most, of the difficulties found in defining capital and income arise from our careless habit of using the terms as abbreviations for "*the capital*" and "*the income*" of some person or persons. This habit leads us into statements that such and such things are capital or income, which statements are just as absurd as the statement, "Human beings are population." The capital of a community is the mass of economic goods possessed by it at a point of time, just as the population of a country is the number of human beings alive in it at a point of time. The income of a community is the mass of economic goods produced or obtained by it in a given length of time over and above the mass which is necessary to maintain the capital, just as the natural increase of the population of a country in a given period is the number of persons born over and above the number necessary to maintain the population (by counterbalancing the deaths). The income is divided into two parts, (1) the increase of the capital, and, (2) the things enjoyed; just as the natural increase of population in a country into which there are no immigrants is divided into two parts: (1) the increase of the population, and (2) the emigrants. I do not see why this conception of the income as a surplus (or, as the individual would regard it, net receipts) "implies some difference in the kind of goods concerned" in capital and income, as Dr. Fisher says it does, nor why, if it did, that should be a fatal objection. It does not appear to imply such a difference any more than the definition of the natural increase of population as the excess of persons born over persons dying implies that the population and the natural increase do not both consist of human beings. So far as the part of the income which is added to the capital is concerned it is obvious that it must consist of the same kind of things as the capital. The second part must obviously have some qualities in common with the first, or we should not be able to conceive of the two as a whole; but there is surely no more reason why the things of which it is composed should not have some special characteristics distinguishing them from the things which compose the other part, than why emigrants should not have special characteristics distinguishing them from people who stay at home.

EDWIN CANNAN

NOTES ON THE DISTRESS AMONGST THE HAND-WEAVERS IN THE
BOMBAY PRESIDENCY DURING THE FAMINE OF 1896-97.

I.

THE great famine of 1770 which desolated parts of Lower Bengal may be said to have first given rise to a special inquiry, and to plans for the alleviation of similar future disasters. "In the famines of 1782, 1792 and 1807 in Madras, 1784 in Bengal, and 1792 and 1803 in Bombay, the Government, following the opinions commonly held at the time, appears to have acted on the belief that the proper remedies were to be found in prohibitions of the export of grain, penalties on merchants who hoarded it or enhanced its price, and other interferences with the course of trade. It was not till the famines of 1812 in Bombay, and of 1824 in Madras, that the Government adopted the principle of non-interference with trade as a cardinal rule of policy."

In their report on the great famine of 1877-78, the Commissioners appointed by Government in 1878 to inquire into Indian Famines state that "a main cause of the disastrous consequences of Indian famines, and one of the greatest difficulties in the way of providing relief in an effectual shape, is to be found in the fact that the great mass of the population directly depends on agriculture, and that there is no other industry from which any considerable part of the community derives its support." Thus failure of the usual rain not only produced a scarcity of food stuffs, but deprived the bulk of the population of their occupation. The Commissioners therefore held that one of the best remedies against the recurrence of famine was to develop industries other than agriculture, and not dependent on the seasons.

Now, in the Bombay Presidency, the only industry outside agriculture which gave employment to any considerable number of people was that of hand-weaving. The census returns for 1891 give the weaving population of the Bombay Presidency as 440,342, of which 104,391 were in the Deccan districts. This class of artisans habitually require relief in time of famine. They are, as a class, very improvident, and are almost always in debt to their "sowcars" (money-lenders), or local masters, who not only advance them the yarns employed in their looms, but also money for the support of themselves and their families during the process of weaving. The "sowcars" then take their webs and dispose of them and pay the weavers any balance that may be due. When the advent of a famine causes general distress amongst the surrounding population, the demand for cloth falls off, and in the case of such fabrics as silks ceases altogether, as every one is forced to economise. The "sowcar," unable to dispose of his goods, refuses to advance any more materials or funds, and the weaver and his family are deprived of their sole means of subsistence.

Bearing these facts in mind, the Commissioners recommended that in time of famine an effort should be made by Government or local bodies to give relief to weavers by affording them

opportunities of working at their own trade. They appear to have been led to make this somewhat dangerous recommendation for fear of breaking up the whole organisation of the weaving communities, and thus destroying the only industry, which, apart from agriculture, gave employment to any large number of people in the Presidency. Moreover, a person accustomed to weaving silk, for instance, would ill be able to stand the hard manual labour of breaking road metal or of similar customary relief works. The competition of machine-made goods from local mills was then a negligible quantity.

The recommendation of the Commissioners was embodied in the Indian Famine Code, under which the various systems of relief for the present famine are conducted. The provisions relating to weavers ran as follows (the italics are my own):—

§ 151 (a) Where weavers are congregated together in considerable numbers, either in the same village or town, or in a group of continuous villages, semi-gratuitous relief, by employment in their own craft, *shall* be given to those in need of it; and they *shall* be made, as far as possible, to weave coarse cloths which can be used in poor-houses, and coarse woollen fabrics which can be used as blankets or horse-clothing.

(b) Except in municipal towns, where the matter should be dealt with under section 55 above, the Circle Inspectors *shall* prepare lists of such weavers, village by village or group by group; and the Special Relief Officer *shall* cause advances of money to be made for the work that is to be done, and for the support of the weavers while doing it.

(c) As regards placing the women and children of such persons on gratuitous relief, the Special Relief Officer shall use his discretion, being guided by the size of the family and the condition of the working members of it.

(d) Under the general control of the Subdivisional Officer, the Special Relief Officer *shall* purchase at a liberal rate the work that is turned out.

(e) The cloths and blankets thus purchased shall be carefully stored for use, when needed, in poor-houses and hospitals, and for eventual sale of any unused balance.

(f) Where weavers and the like are not numerous, semi-gratuitous relief may be given in the manner laid down in the preceding section.

Circumstances have, however, changed since the above rules were first drafted, and other principles as to non-interference with trade or the bolstering up of declining industries have prevailed. Among the changes wrought since the last great famine, there is a great development of the mill-industry.

It appears that the number of cotton mills in Bombay itself has more than doubled since the last famine, whilst in the rest of the Presidency the number of mills has trebled. The provision for weavers dates from before the growth of the mill-industry, and was, as above stated, framed with a view to prevent the entire destruction of the industry. To what extent the competition of the mills is the cause of the distress of the weavers is hard to determine exactly, but that they have felt the effect of the competition for some time is undoubted. Thus we find that one of the chief centres of distress amongst the

weavers is Sholapore, where there is already a large cotton mill, and another is building. The Sholapore mill further depends principally on its local market for disposal of its produce, and not, as is the case with many of the Bombay mills, on the markets of the Far East. Again, from the Nasik district we learn that by far the largest number of those seeking relief belong to the weaver class. Again, in Ahmednugger, large numbers of weavers applied for relief. Under the first Cotton Duty Act, with its countervailing excise, the imports were levied on yarns; under the more recent act the imports are levied on finished cloth. The excise on cloth is only levied from the mills, the hand weavers who usually employ local machine-made or imported yarns have therefore a small advantage of $3\frac{1}{2}$ ps. under the act. To judge from the fact that the weavers were amongst the first to seek relief, we may, however, conclude that in many parts of the Presidency their trade had already become precarious, so that the slightest check would bring distress upon them. There was, therefore, some danger of the Government of Bombay repeating the blunder made by the charitable in England, when they endeavoured to bolster up the obsolete craft of hand weaving, long after this trade had ceased to be profitable, owing to the competition of machinery and steam-power.

When the present famine began the Indian Famine Code, as quoted above, declared that Government *shall* employ the distressed weavers in their own trade. The three chief centres of distress amongst this class were Yeola in the Nasik district, Ahmednugger, and Sholapore. (1) The weavers of Yeola work in silk, and the product of their looms is chiefly employed for holiday wear and festivities. In short their wares come under the heading of luxuries. The prevailing scarcity, with its general impoverishment of the agricultural population, at once led to a decrease in the demand for silks. The employers had, before the famine began, a larger stock than they could profitably dispose of, and so they stopped further production by refusing any further advances to the weavers. To meet the consequent distress, the Yeola Municipality applied for a loan of Rs. 50,000 to relieve these weavers by employing them in their own trade. Most of the weavers, however, went off to the ordinary Government relief works—earth works, breaking of rock, metal, etc.—and so only Rs. 25,000 were required. This form of relief is still going on, though not to any very large extent. The returns for the week ending April 17th show 318 weavers receiving relief in this way at Yeola. The Municipality undertook the work as Government did not see their way to undertaking, as directed by the Famine Code, a general relief in their own trade of all the thousands of weavers in the Nasik district, owing to the large capital required, the difficulty of testing whether the work done was up to sample, the difficulty of storing the goods made for which there was at present no market, and, finally, the derangement of trade for some time to come, owing to the sale of this large stock of goods. The records of the last famine of 1877, however, showed that little or no loss had accrued when

this form of relief was tried on a small scale, and managed by a local body.

(2). The next centre was at Ahmednugger. Here the district officer reported that to employ the distressed weavers there would require a very large capital. He pointed out that the price of a cheap *sári* (a woman's garment) amounting to Rs. 4 was made up of the following items.

			Rs.	annas	pies
1.	Price of cotton thread		1	8	0
2.	„ „ „ silk for border		1	2	0
3.	Cost of Labour		1	0	0
4.	Size, etc.		0	4	0
5.	Profit to shopkeeper		0	2	0
			4	0	0

if, therefore, even 2,000 weavers were employed under Section 151 of the Famine Code, a capital of at least five lakhs of rupees (500,000) would be required. Hence he had hesitated to apply the section. He also gave the arguments employed at Nesik as to difficulty of storage and ultimate sale of goods made, etc.

(3). A similar and greater difficulty was felt at Sholapore.

The Deccan Sabher at once memorialised Government as to why the Famine Code was not being carried out as regards the distressed weavers. The result of this and the reports of the various district officers was that the Government of Bombay applied to the Government of India, and the Famine Code was amended so as to read *may* in place of *shall*, as regards weavers and other trades. The results are as follows: (1) At Yeola the Municipality only supports 300 or 350 weavers. (2) At Ahmednugger all the weavers have gone into the ordinary relief works. (3) At Sholapore the Assistant Collector, Mr. Weir, has organised an extensive system of relief to weavers running the enterprise and business concern, and obtaining orders for his goods by appealing to the charitable to buy cloth through the medium of the press. Occasionally lists appear in the press, stating that Mr. so-and-so has bought 1000 yds, the Chief of so-and-so 1,500 yds, etc. For the week ending April 17th, two hundred and thirty-five weavers were receiving relief in this way, without any outlay except to the purchasers of the cloth. Is this latter not a repetition of the mistake which we made in England?

W. MULLER

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LETTER FROM SWITZERLAND

THE so-called Referendum has aroused more interest in foreign countries than almost any other political institution in Switzerland. But none has proved more puzzling to the Swiss people themselves. It is difficult to judge, even approximately, from the vote of the people

what is the real opinion of the "Sovereign." Experience has shown that proposed laws which had been adopted with almost absolute unanimity by the Legislatures, and which had aroused no opposition in the press, were vetoed by the people. It was only possible to understand *a posteriori*, from indications which appeared later on, the reasons which led to the negative decision. Sometimes the "Sovereign" even seemed to change his opinion, or to oppose by his veto some too daring a move in one direction.

In this respect two confederate votings recently recorded on economic questions are specially noteworthy:—namely, that on the Act which deals with the railway audit system, and the Act concerning the Federal Bank.

The object of the first Act, generally known as the "Audit Act" (*Rechnungsgesetz*), was to prepare the way for the project of the Federal Government to take over (nationalise) railways. According to the Act the railways were compelled to keep such a system of accounts as would make it possible to learn at any moment the actual purchase value of railway enterprises. The Act was accepted by the people, by a considerable majority, on October 4, 1896. This result was somewhat surprising as, a few years before, at the plebiscite of December 6, 1891, the purchase of the Central Railroad by the Federal Government had been vetoed by the people by an equally large majority. If it might have been inferred from this that the people would have none of the State purchase of railways, it might now appear that they disapproved of the line which they then chose.

A similar remark might be made about the recent vote with regard to the project concerning the Federal Bank. A few years previously the people had distinctly endorsed the revision of the Federal constitution to this extent, that the monopoly in the issue of bank notes should remain in the hands of the central authority, leaving it, however, open to the Government to hand over this right to a central private institution. But when the Federal authorities prepared to found a purely State Bank, excluding all private capital, the voice of the people in the Referendum voting of February 8, 1897, said no! The turn matters had taken pleased them not. Probably there will now be a sort of mixed bank, half private, half State, after the pattern of the German Imperial Bank.

From these experiences we gather that if "*Étatisme*," or State Socialism, has already begun to take root among the Swiss people, they do not relish the rapid pace of leading theorists. And that this is so will be repeatedly proved in the near future.

French Switzerland, as a rule, votes almost unanimously against "*Étatisme*." It finds support in the Conservative, and especially in the Catholic centres in German Switzerland. As I mentioned in my letter last year, Dr. Numa Droz, a former Federal Councillor, and at present Director of the International Railway Bureau in Bern, is in the forefront in these struggles. I then pointed out that his collection of

Essais économiques proved him to be a faithful follower of the ideas associated with the name of Richard Cobden. I would now mention a second book published by him, about the same time and on kindred subjects :—*Études et portraits politiques* (Geneva : Eggimann, 1895). In this there are not only carefully drawn life-pictures of the Swiss statesmen, Heer, Hertenstein and Ruchonnet, but also essays of absorbing interest on the fundamental State institutions of Switzerland, and especially on the Referendum.

One event bearing on practical national economy must not be forgotten, especially as it has been the subject of more than one literary production. I refer to the second Swiss National Exhibition, held in Geneva in the summer of 1896. The Federal Bureau of Statistics exhibited a number of coloured tables in which the most important results in national statistics were graphically and splendidly presented. To these tables, issued by Dr. Guillaume, the Director of the above-mentioned Bureau, and by the first Secretary, M. Lambelet, further graphical results have been added, and the whole has been published in book form under the title, *Graphico-Statistical Atlas of Switzerland*. The tables include statistics concerning politics, agriculture and population. With regard to the first there is an interesting and graphic account of the comparative Referendum vote on the Railway Audit Act in different parts of the country. From this it can be seen that in French Switzerland both Catholics and Protestants were for its rejection, while in German Switzerland the majority of the Protestant cantons were in its favour.

A further interesting contribution, which was called forth by this exhibition, was the work of Hans Müller on the *Swiss Food Supply Associations, their development and their results, drawn up by a commission of the Swiss Food Supply Union for the Second National Exhibition in Geneva* (Basle, 1896). We may also mention the work prepared at the instigation of the Department of Trade, Industry and Agriculture :—*The Commercial Schools and Institutions for the Advancement of Mercantile Instruction in Switzerland*, and the historical and statistical record of the *State Fire Insurance Institution for Buildings (Immobilien) in the Canton Bern*. This last publication is especially interesting in that it gives information concerning the effect of an institution organised on a new principle the participation of risk. Instead of having only one insurance office, there are three, standing in federal relationship to each other. First the Communal Insurance Office, which receives one-tenth of the premiums, and pays indemnities in the same proportion; next comes the District Office, with two-tenths; and finally the State Central Office with the remaining seven-tenths of risk. This plan makes it to the interest of communes and districts in which a fire breaks out, to help to extinguish them, and also to use all possible means to prevent their occurrence. Two other works on *Taxes in Canton, Zurich*, and on *The Unemployed*, by Professor J. Wolf, deserve notice

By way of transition into the field of pure theory some personal changes in the university faculties must next be mentioned. Professor George Adler of Basle, who has recently published a treatise on *Social Politics of To-day in Basle* (1896), is returning home to Germany, as are also the two Privat-docenten, Conrad Schmidt and Ruhland. In place of Professor Jaquemot in Geneva, who disappeared in so strange a manner, the Italian, Professor Pantaleoni from Naples, has been called to the chair of Political Economy. A young Swiss, Eugène de Girard, from Fribourg, has settled at Geneva as Privat-docent in Political Economy.

Among the literary productions, in this connection, we must mention the second volume of the *Course of Political Economy*, by Vilfredo Pareto (Lausanne: F. Rouge, 1896-97), the first volume having appeared last year. The second volume completes the work. In this continuation of his work Pareto has introduced into political economy the expression *ophélimité*, and made it the central point of his system. In his summary of the whole work, the author gives the following explanation of the term:—"If the French language contained the term *agréabilité*, it would exactly suit our requirements. Since it does not, it is convenient to imitate the natural sciences and draw upon Greek for a technical term. Hence we have called *ophélimité* the abstract quality of things which satisfy a desire or a want, whether legitimate or not" (p. 397). The mathematical method pursued by Pareto in the first volume is again made use of in the second. This is the natural consequence of his general economic position, according to which a complete analogy exists between the mechanical and social sciences. "The equilibrium of an economic system presents striking analogies to that of a mechanical system. When this latter equilibrium is thoroughly understood, one has also clear ideas about the former" (vol. II. p. 12).

Those who do not see things from Pareto's point of view must nevertheless acknowledge that the idea, which he has made the foundation of his theory, has been worked out with thorough consistency, and will follow his expositions with keen interest. The precept, however, which he deduces for applied political economy, can scarcely escape the charge of being one-sided. Every sensible person will admit that the intervention of the State in the actual economic life of the people has often been fraught with evil results. But to reject such intervention entirely, is a theory that will not find many supporters. Neither Quesnay nor Adam Smith went as far as that. The further assumption that economic crises are, in the main, normal occurrences, and, as such, lead to economic progress, may be accepted in flights of pure speculation where everything works harmoniously. Practical folk will probably always hold another opinion.

It follows as a matter of course from our author's mechanical philosophy, that he regards as absurd and unscientific every teleological method of observation, everything Utopian or idealistic in the sense of Plato's Republic. In this point he differs from Léon Walras, his prede-

cessor in the professorial chair, with whom, however, he agrees in his economico-mathematical method. From the pen of the last-named scholar we have also to announce a new volume which has just appeared under the title of *Études d'Économie sociale* (Lausanne: Rouge, 1897). These are earlier essays now printed in one volume, the place of which in the entire series of his works is thus explained by the author in his preface:—"I have devoted myself to the working out of an economico-social system, which I taught at Lausanne from 1870 to 1892 in my three courses of: *Pure Political Economy*, *Applied Political Economy*, and *Social Economy*, and which I should like to have published in three corresponding volumes of *Elements of Political and Social Economy*. Of these three volumes only the first, that of *Elements of Pure Political Economy*, has appeared, or will appear, as the condition of my health will certainly prevent me from publishing the two others. But the works, memoirs and articles published by me contain sufficiently distinct indications about the most important points of my doctrines, and it appeared to me that, by grouping these two publications in two volumes, on studies in applied political economy and in social economy respectively, and adding a summary to bind them together, I should be able, up to a certain point, to fill the place of the two latter parts of my Elements. I publish first the *Studies of Social Economy*. The *Studies of Applied Political Economy* will follow later, and they will be completed by a *Sketch of an Economic and Social Doctrine*.

Although Walras, who is generally acknowledged to have been one of the founders of the mathematical method, is in agreement with Pareto in the field of pure political economy, he is by no means so radical in social economy. In this he is distinctly synthetic. "We must," he says, "construct a synthesis of materialism and spiritualism, . . . of realism and idealism, . . . of *socialism* and *liberalism*" (p. 178). In accordance with the "method of conciliation or synthesis" which he here advocates, he is concerned to bring together the two standpoints, and to avoid extremes in either direction. "I long for the day when my conflicts with the fanatics of absolute liberty, or of absolute authority, shall cease" (p. 440).

The contents of the volume before us are grouped into four divisions:—I. "Enquiry into the Social Ideal;" II. "Property;" III. "Realisation of the Social Ideal;" IV. "Taxation." Between the third and fourth groups a fine study is interpolated, entitled "An unknown Economist, Th. Gossen." The merits of this man, who was the earliest representative of the mathematical economic school in Germany, are here ably brought out. To enter into the details of this interesting book would lead us too far.

We must also mention another distinguished author of French Switzerland. E. de Girard, the Privat-docent in Geneva before alluded to, has published a book entitled *Ketteler and the Labour Question, with an Historical Introduction on the Catholic Social Movement* (Bern: Wyss, 1896). This appears as No. 9 of the *Berne Contributions to the History*

of *Political Economy*. In this book we have a biography of Ketteler, Bishop of Mainz, the originator of the Catholic Socialist movement in this century, written with great pains, and unusual literary ability.

German Switzerland has not proved itself so active as French Switzerland during the past year with regard to works in economic theory. We must, however, mention a monograph, *Adolf Quetelet, his Life and Work*, by N. Reichesberg, Privat-docent at Bern, which is interesting in its appreciation of the talents and labours of the famous Belgian statistician. A study by Oscar Jurnitschek, a young Swiss from the Grisons, has just been published:—*On the Real Origin of Capital; being Preliminary Studies in the Refutation of Socialistic Theorems* (Berlin, 1897). The author specially attacks Karl Marx's theory of the development of capital with keenness and at times with discernment.

A young Pole who is living in Switzerland, F. Marchlewski, has made an important contribution to recent Physiocratic research in his *Physiocracy in Poland* (No. 2 of the *Züriche Volkswirtschaftliche Abhandlungen*, Zürich, 1896). It is a fact that the Polish national leaders in the last century, in order to save their country from disintegration, chose Physiocracy as their last anchor of safety. Baudeau and Du Pont were summoned for a time to Poland. According to the treatise before us, their work there was by no means as important as they themselves made out. This treatise may be considered as a welcome complement to existing investigations on the Physiocrats and especially to the excellent book of Mr. H. Higgs. The writer of the present article has published an essay dealing with the same materials:—*The Origin and Development of the Physiocratic Theory*, in the *Vierteljahrschrift für Staats-und Volkswirtschaft* (published by K. Frankenstein, Berlin). The fact of his having in part new material is one reason for his having described the events which led up directly to the introduction of the new theory at the Court of Versailles. He has also tried to set forth an appreciation of the Physiocratic attitude towards the land from the standpoint of modern agrarian doctrine.

A. ONCKEN,

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CONGRESS OF ECONOMISTS AT BRUSSELS.

An international Congress on Labour Legislation will be held at Brussels from the 27th to the 30th of next September.

It has been organised by Belgian economists without respect of schools or opinions. Its object is the resumption, by private initiative, of the programme discussed by the International Conference at Berlin in 1890, assembled by invitation of the German Emperor. It desires to enlighten public opinion in manufacturing States on the question of the international protection of workers. The Congress is open to all parties, but it will not pass resolutions on the questions set down in its programme.

First on the programme, which is appended below, stands an item which aims at establishing the connection between the Congress and the Berlin Conference, namely, a review of the progress made in labour legislation since 1890.

Next, the problem is put of the protection of the male workers. This was omitted at Berlin.

The third item deals with the possibility and the utility of an international understanding between manufacturing powers in matters relating to the legislative protection of workers.

Then follows that stumbling stone in every Factory Act, the protection of labour in minor and domestic industries.

The fifth question relates to *la haute politique*. In many countries, if not in all, special regulations have been laid down with regard to distinctively dangerous employments, for instance, match-making, chemical products, &c. Is it not desirable that those regulations, wherever existing, should be consolidated on a common basis?

The sixth question cannot be classed as least important, being an inquiry into the methods for insuring the efficient administration of the laws protecting labour, and especially into the prerogatives and obligations of labour inspectors.

Finally the question is raised as to the creation of an international bureau of legislation and statistics respecting labour.

It must be admitted that if the Brussels Congress succeeds in elucidating all these questions, it will effect a real advance in the weighty problem which calls it into being.

Besides the interest which its object commands, the Congress will afford special interest in bringing together eminent representatives of political economy from France and Germany. It will follow immediately upon the sitting at Cologne of the *Verein für Sozialpolitik*, and it is probable that many German professors will proceed to Brussels. Professor Lujo Brentano has expressly promised to attend. Among French scholars a goodly number of Professors of the Faculties of Law will muster, M. Charles Gide among them.

For the present it is certain that, among the speakers, there will be many who represented different countries at the Berlin Diplomatic Conference. A great number also of labour inspectors from different countries have sent in their names. Finally the entire industrial and political world of Belgium are interested in the Congress.

The subscription is ten francs; intending members should communicate with the General Secretary, M. Ernest Mahaim, Professeur à l'Université, 15, Rue de l'État-Tiers, Liège (Belgique).

PROGRAMME DU CONGRÈS.

I. Quelles modifications la législation protectrice des ouvriers a-t-elle subies dans chaque pays depuis la *Conférence internationale concernant le règlement du travail aux établissements industriels et dans*

les mines, réunie à Berlin en mars 1890 sur l'invitation de S. M. l'Empereur d'Allemagne? Quelle est la situation respective des différents états industriels à l'égard des résolutions prises par la Conférence sur le travail des enfants, le travail des jeunes ouvriers, le travail des femmes et le travail dans les mines.

II. Les ouvriers mâles et adultes doivent-ils être soumis à un régime protecteur? Notamment, la loi doit-elle limiter d'une manière générale la durée de leur travail?

III. Une protection internationale des travailleurs est-elle possible et désirable? Dans quelle mesure et sous quelle forme?

IV. Convient-il de réglementer les conditions du travail dans la petite industrie et dans l'industrie à domicile? Dans l'affirmative, quelles seraient les mesures pratiques à recommander?

V. Est-il utile et souhaitable que les règlements spéciaux qui sont imposés dans beaucoup de pays aux industries dangereuses soient mis en concordance dans tous les états industriels?

VI. Quels sont les moyens propres à assurer la meilleure exécution des lois protectrices du travail; en particulier quels doivent être les droits et les devoirs des inspecteurs du travail?

VII. Est-il désirable que des rapports internationaux s'établissent entre les Offices du Travail et qu'on organise internationalement la statistique du travail?

Bulletin of the U.S. Department of Labour, Nos. 7 and 9.

No. 7 (November 1896) contains the concluding article of the series by Mr. W. F. Willoughby, on "Industrial Communities" describing institutions for the benefit of the workmen at several industrial centres both in Belgium and France. Noteworthy is the system adopted by the Mariemont and Bascoup Coal Mining Company, Belgium, for the prevention and settlement of labour disputes. After a serious strike in 1875-6, Chambers of Explanation (*Chambres de Explication*) were formed, on which the workmen and the foremen were equally represented, where points in dispute could be freely discussed. The system worked successfully, and in 1888, a higher council was established (*Conseil de Conciliation et d'Arbitrage*), which, while leaving to the chambers the supervision of daily details, took cognisance of more serious disputes. On this Council also, the Company and the workmen are equally represented, and such important questions as the rate of wages and length of the working day have been amicably discussed and decided to the satisfaction of both parties.

Another Company which has been very energetic in developing institutions for the benefit of its workpeople is the Vieille-Montagne Zinc Mining and Smelting Company, Belgium. These efforts have been attended with such success that not only has there never been a strike in any of the Company's establishments, but the average length of employment among the 6,500 employees has exceeded twelve years.

Although the expenditure on these institutions has been very large, yet for fifty years the shareholders have received an average dividend of 20 per cent.

There is an article in the same number of the *Bulletin* by Mr. Ethelbert Stewart on the rate of wages paid under public and private contract. In a series of tables, he has compared the wages paid in the cities of Baltimore, Boston, New York and Philadelphia, to those engaged (1) on public work, employed directly by the city or State; (2) on public work, employed by contractors; (3) on private work employed by contractors or firms. The general rule is that the public authorities, when employing directly by the day, pay the highest prevailing rate of wages for the shortest prevailing day's labour; but Mr. Stewart goes on to show by a number of statistics, that this is attended in a great many instances with the best economic results.

The principal article in the *Bulletin* for March, 1897 (No. 9), is a description by Mr. John Koren of the padrone system and padrone banks as they exist in the United States. The system apparently took its rise after the passing of an Act in 1864, giving employers the right to import foreign labour under contract. This led to considerable speculation in cheap labour, and to the importation in large numbers of ignorant Italian peasants. The American contractor used to procure the requisite number of workmen through an Italian immigration agent, afterwards called a "banker," who obtained a commission on their passage money, besides making an exorbitant profit by boarding them when they arrived in America. This middleman, seeing the profits gained by the contractor, then took to exploiting Italian immigrants for his own benefit, and became a "padrone." He persuaded labourers to emigrate by fair promises and then farmed them out to other persons, receiving their wages, of which he only passed on to them a very small part. This, the worst form of the padrone system, which resulted in the semi-slavery of the workmen is now practically extinct through the passing of more stringent regulations as to the immigration of labour. But, in a somewhat modified form, a contract-system for Italian labour still flourishes, though the contractor is no longer called the "padrone" but the "boss." The continued existence of this system is very largely due to the character of the Italian immigration into the United States. The majority of the immigrants, especially of the labouring class, come not as settlers, but with the intention of returning to their homes after some years. The consequence is that, through ignorance of the language, they fall naturally into the hands of labour bosses of their own nationality. These men find them work, levying a commission on the wages for themselves, called a "bossatura." They also contrive to take advantage of them in many other ways, notably by boarding them at exorbitant charges, and with food of inferior quality. All these sums are deducted from the labourer's wages. Further, when no work is to be had, the boss often maintains the labourer, who thus becomes

heavily in debt, so that his future earnings are entirely anticipated. Sometimes the bosses abscond with the men's wages, leaving them to shift for themselves as best they can. The padrone system exists in most of the cities of the United States where there is a considerable Italian colony, and efforts to abolish it have not been attended with very great success, chiefly owing to the shifting character of the population.

The peculiar system of banking adopted by the Italian immigrants is closely connected with the padrone system. In the Italian quarter at New York, there are about 150 so-called banks, not one of them having any legal status. The principal business of bankers is to exchange, receive, and remit money for the labourer; they also write and receive his letters, provide him with steamship and railway tickets, and transact other business "for a consideration." The bankers usually conduct an employment office in close connection with the "bosses," and for this purpose employ messengers or *compari* to meet new arrivals at the wharf or the railway station. Besides cheating their customers in a variety of smaller ways, bankers not unfrequently abscond with the whole of the deposits, and their apprehension is of exceedingly rare occurrence. Owing to the continual immigration, they have little difficulty in finding fresh customers who have not learned their ways.

CHRISTABEL OSBORN

ANNUAL MEETING OF THE BRITISH ECONOMIC ASSOCIATION.

The annual meeting took place at 9, Adelphi Terrace, London, on March 24, last, Mr. F. Hendriks presiding. The audited balance sheet was presented and adopted, and the officers of the Association were re-elected. The retiring members of the Committee were re-elected with the exceptions of Mr. T. Burt, M.P., and Mr. A. Hoare, who were succeeded by Mr. C. S. Loch and Mr. Sidney Webb. A vote of condolence with Mrs. J. B. Martin was adopted, coupled with an expression of the regret felt by the Association at the loss of its treasurer.

In the evening the annual dinner was held at the Westminster Palace Hotel. The Right Hon. G. J. Goschen, M.P. (the president), occupied the chair, and the company included M. Ansiaux, Mr. Aves, Mr. Barfoot-Saunt, Mr. A. E. Bateman, Dr. Bonar, Mr. H. G. Bowen, Professor Edgeworth, Mr. T. H. Elliott, Professor Foxwell, Sir C. Fremantle, Professor Gonner, Mr. Hayakawa, Mr. F. Hendriks, Mr. Higgs, Mr. and Mrs. Wynnard Hooper, Mr. F. Macmillan, Mr. Inglis Palgrave, Dr. N. G. Pierson (formerly Netherlands Minister of Finance) and Mrs. Pierson, Mr. L. L. Price, Mr. Barr Robertson, Mr. J. F. Rotton, Mr. Schloss, Miss Waller, and Mr. Wotzel.

Mr. Goschen, after dinner, gave a cordial welcome to the foreign and colonial guests, remarking that they had present representatives of India, Japan, Germany, Belgium and Holland. They had been able during the

past year to hold their own financially. He understood that their income had been equal to their expenditure, but that there was a slight falling off in their numbers. It was most essential that all friends of the Association should do their best to find new recruits to fill the gaps which were left by those who had retired or who had fallen out through other reasons. The losses to economic science during the past year had been great. They themselves had to lament the loss of two of those who had taken the greatest interest in the Association. Their treasurer, Mr. Martin, died a few days ago—a man who, from the first had done his best to promote their interests; a man well-known in all the branches of political economy, who had done good work as regarded some of the most intricate and difficult problems with which their science had to deal. And they had lost Professor Munro, one of the earliest members of the Association—a diligent student and a brilliant thinker, and a man who had done much for political economy. If they looked abroad they found that Italy had lost Signor Cossa, one of the acutest critics in the domain of political economy, a deep thinker, and a frank critic of other men's work. In America they had lost General Walker, certainly one of the foremost political economists in the States. Some present knew him, and others who did not know him appreciated his work. In the United States his name would always stand foremost as one of those who had worked in the domain of political economy. But, last of all, he could not but remember that a year ago, on the occasion of that dinner, there sat beside him M. Léon Say, who delighted them with his charming eloquence as he had delighted his own countrymen by the brilliancy of his work. A brave economist, it was to many of them a pleasant memory, though a sad one, that almost his last words in that cause—the cause of orthodox political economy—which was so dear to his heart, were uttered in their midst. Two days after he left them, partly, perhaps, in consequence of the exertion to which he put himself in those days, he departed from them for ever. His memory would always live among the friends of political economy. M. Léon Say had been a teacher of political science, a bank director, a Minister, and a writer on political economy. They had with them a gentleman who had been a professor, a teacher of political economy, a bank director, and a Minister, and who was a great writer on political economy—he meant Dr. Pierson. (Cheers.) They welcomed him in their midst, and he might, perhaps, be allowed personally to bear in mind that, like M. Léon Say, Dr. Pierson had done him the honour of translating the “Theory of Foreign Exchanges”—his earliest *début* in political economy. They were there mainly to hear Dr. Pierson speak, and they were grateful to him for coming over from Holland to be present. He had enhanced their obligation by bringing with him his wife and his niece. (Cheers.)

Dr. Pierson afterwards delivered an address on political economy. He took for his address what might be described as the classical English economists coupled with the names of the principal English writers of this century. He began by observing that the term classical was not

very appropriate to the nature of the subject. There was nothing the
repose of a model, which that term suggests. However, the only
economists should rather be called. They did the work better than in the
only way in which it could be done, that is roughly. Bagehot might be
described as a blundering genius. Everything that appeared in him
was not gold, but there was a great deal of gold. J. S. Mill supplied
the human element: he first sounded the note, which is followed by
Professor Marshall, when he proposes, as one of the practical problems
with which political economy is concerned, "Is it necessary that large
numbers of the people should be exclusively employed with work that
has no elevating character?" Jevons, whom Mr. Pierson described as
one of the greatest of English economists, by analysing the mechanism
of supply and demand, showed not only the operation of those forces,
but also what they could not effect. It was just because he had written
one book full of mathematics that he was able to write another
book in which he had indicated the just mean between socialism and
unqualified *laissez faire*. Opposed as those extremes are, they
have something in common, namely ignorance of economic forces.
Bagehot might be described as the man of common sense. His
indeed was a kind of sense which is not very common, and might per-
haps rather to be called wisdom. Bagehot had pointed out the condi-
tions which must be fulfilled in order that the conclusions of abstract
political economy may hold good. It is true that German writers of
the historical school had said something similar. But Bagehot had
recognised what the English economists had denied, as well as what they
could not do. He did not pretend to make a wholly "new departure."
Adverting in connexion with Bagehot to the subject of banking, Mr.
Pierson said that the Bank Act of 1844 might be justified by the fact
that deposits were of less importance in comparison with paper than
now. The law required to be supplemented by the various acts, such
as to the amount of the reserve which was required, or which was
in respect of deposits. Bagehot had done much to advance the public
opinion by which that law is maintained. In the *Principles of
Political Economy* the system is more vigorous. It is suggested by the fact that the
reserve should be kept up in a certain proportion of the total liabilities—
notes and deposits. The issue of currency was considered with the
cause of Free Trade. England was distinguished from other countries in
century. Even in her wars with her enemies there was no such
twenty years in respect of international affairs and the effect of this
has been excellent in her nature. Would this perfect wisdom of
trade be maintained? Mr. Pierson was the most confident of the
view of the extension of the suffrage a moderate one.

On the motion of Mr. J. S. Mill seconded by Mr. J. S. Mill, the
vote of thanks was passed to Mr. Pierson for his address.

Mr. Jevons, having a new 2 hours' proposal to discuss
Gosset's new account of the value of money, was introduced to the
on the subject.

OBITUARY

THE Sciences of Political Economy and Statistics have lost an ardent devotee in John Biddulph Martin, who died on the 20th March last. Born in 1841, he was descended from a line of ancestors who had been for centuries at the head of Martin's Bank, in Lombard Street. The annals of his family form an interesting chapter in the history of banking. He himself has excellently written that chapter in the sumptuous volume which took its name from the ancient emblem of the Martins: *The Grasshopper in Lombard Street* (reviewed in the ECONOMIC JOURNAL, Vol. II., p. 344).

John Biddulph, walking in the way of his predecessors, entered the business in Lombard Street at an early age, after taking a creditable degree at Oxford. The honourable alliance which has often existed in England between the business of Banking and the pursuits of Science was exemplified in his career. He was not like the business man amusingly described by Mr. Goschen in one of his addresses to the British Economic Association—the man who broke off a discussion about monetary reform, saying “I'll go and make a hundred pounds.” Mr. Martin studied the principles of the monetary mechanism of which he himself was an active part. Several papers on Currency and Banking contributed to the *Journal of the Bankers' Institute* attest the fruitfulness of his studies. The paper on *Our Gold Coinage*, published in 1882, has proved of great practical aid in the reform of the gold currency which has been effected in recent years. The paper on the *Movements of Coin* (*ibid.*, 1888) is interesting theoretically, as affording illustrations of Jevons' ingenious method of estimating the amount of money in circulation. We may also notice as important the inquiry into the *History, Functions, and Fluctuations of the Bank note Circulation* in different countries (*ibid.*, 1880), and the *Silver Census* (*ibid.*, 1893). Political economy as well as statistics enters into the address which Mr. Martin read before the British Association for the advancement of science, as President of Section F., in 1886. It would be too long to enumerate all the valuable papers which he contributed to scientific journals; especially the *Journal of the Bankers' Institute* and the *Journal of the Royal Statistical Society*. Our readers will not have forgotten his paper on *The Evolution of Our Banking System*—in the ECONOMIC JOURNAL for 1892—in which he referred, among the incidents of the modern system, to the increased demand for publication of accounts, and the tendency towards coalition.

But it was not only as a scientific writer that Mr. Martin cultivated statistics and political economy, but also as an active member of the learned societies whose functions are to advance those two sciences. He served on the Council of the Royal Statistical Society for many years; holding office as Honorary Secretary, as Foreign Secretary, as Trustee, and finally, and up to the time of his death, as President. He was Hon. Treasurer of the Bankers' Institute, and from the formation of the

International Statistical Institute in 1885 he undertook the charge of the finances of that body, and was a worker on several of its special committees. He acted as Treasurer of the British Economic Association since its foundation. He was among its founders. The rules of the Association were drafted by a convention which met under his hospitable roof. Those whom he assisted in the work of the Association will ever cherish the memory of that courteous colleague and kind friend.

CURRENT TOPICS.

THE adoption of a gold standard in Japan, having been carried by the first Chamber, may be expected to become law without delay. The law is to come into operation on October 1st, 1897. The change appears to be effected with a minimum of disturbance to business. Silver coins of the denominations now current will, with one exception, continue to be coined. The existing gold coinage will also be maintained unaltered, except that its denomination will be doubled. For example, the gold piece which, according to the arrangements of 1871,* counted as 5 yen, now counts as 10 yen (= 20s. 5½d.). It will be observed that this doubling of the value of the gold coin in terms of yens almost exactly corresponds with the halving in the gold-value of silver, which has occurred between 1871, when the Japanese attempted to introduce a gold standard, and the present time. If the market-value of silver bullion should diverge somewhat from the legal value of the yen, expressed in gold, the consequences will not now be serious, as the silver coinage is to be subsidiary, forming legal tender up to 10 yen only. The 1-yen silver piece is treated in an exceptional manner. It is not to be recoined. At a date hereafter to be fixed, the 1-yen silver coins circulating in Japan and also the banknotes of 1-yen denomination will cease to be legal tender, and at any time within five and a half years from that date they may be presented for exchange against gold.

THE motives which may have prompted the change can only be guessed at. Some hints may be obtained from the Report of the Japanese Commission, which, it will be remembered, affirmed by a majority that the adoption of a gold standard was advantageous, but that the time for adopting it had not yet arrived. The wish to encourage foreign investments no doubt operated strongly. But might not the required encouragement have been given by making loans payable in gold? Again, if Japan gains by securing a par of exchange with gold-using countries, she loses the par of exchange with silver-using countries, in particular her important neighbour, China. Perhaps a further fall in the gold value of silver was apprehended. But this is a motive which would not appeal to those who hold that the recent prosperity in Japan is largely due to the divergence

between gold and silver. It may be that a sentimental preference for gold as the currency of the most advanced nations was the dominant motive. Mr. Garrett Droppers, in a forcible address on the "Gold Standard in Japan," read before the Economic Society of Japan last February, says, after a review of other causes, "I am convinced that this sentimental, illusory, and I think temporary, belief in gold has much influence in certain high and authoritative quarters." And he adds, "This delusion may be defined as a species of mania for the yellow metal, almost as inexplicable and as potent as the craze for tulip bulbs in Holland in the 17th century."

THE coming event has already cast a shadow before it, if we may attribute to the action of the Japanese Government the recent fall in the gold price of silver from between 30 and 31 pence in 1896 and part of 1895, down to about 28½ pence in April 1897. The Japanese monetary reform may be expected to act upon the market by diminishing the demand for silver to be coined rather than by swelling the supply with a mass of demonetised silver. For according to the arrangements above described, the yens now in the country will not be immediately demonetised. When at length they are recalled, the metal will presumably be embodied in the smaller silver coins which are still retained: the 50-yen, 20-yen, and 10-yen silver pieces. It is possible that the Government will have a bad bargain in purchasing the outstanding yens at their nominal value in gold, if the gold value in silver continues to decline.

SENATOR THE HON. A. O. WOLCOTT, Mr. A. E. Stephenson (Ex-Vice-President of the United States), and General C. Paine, appointed by President McKinley as Special Commissioners to visit Europe with a view to negotiating an International Monetary Agreement with some of the leading nations, have been warmly received in France. Senator Wolcott and Mr. Stephenson are well-known advocates of Bimetallism. Mr. Stephenson was a supporter of Mr. Bryan. General Paine is director of the Boston Institute of Technology, of which the late General F. Walker was president.

THE Senate of the United States have received from Mr. Henry Nelson Loud a memorial, proposing "that all nations admit to free and unlimited coinage a universal standard dollar, composed of 0·8065 gramme of gold (one-half of a gold 5-franc piece) and 12½ grammes of silver (one-half of a silver 5-franc piece) 0·900 fine, ratio 15½ to 1, and that in the year 1900 this be declared the universal standard of money." The memorialist refers to the plan of *linked bars* propounded by Prof. Marshall in his evidence before the Gold and Silver Commission, and to the "Symmetalism" discussed in the ECONOMIC JOURNAL (vol. v. p. 442) in support of the species of alliance between gold and silver which he advocates. The movement does not seem to have much vitality.

in respect of all the criteria. To this ascending scale of welfare corresponds accurately a descending scale of natality. At one end of the parallel scales is the group which is lowest in point of welfare with a birth-rate of 41·3 per 1,000 of population in that group; at the other end is the group which is highest in respect of welfare, with a birth-rate of 22·5 per 1,000. There is a similar parallelism between the degrees of welfare and those of infant mortality. These statements relate to Amsterdam; the returns for other districts have not yet come to hand.

THE Dutch Commission on Prison Labour, which has recently reported, admits that some of the methods employed in Holland for utilising prison labour have been injurious to the free producer. The complaints, however, have been much exaggerated. The amount of prison labour is not very great. And, though the *entrepreneur* who contracts for this labour obtains it cheaply, it must be remembered that it is unskilled and inefficient labour. The objections against the employment of the prisoners directly on behalf of the State are not so well-founded. Indeed, the Commission recommends the extension of such labour, taking the high ground that the employment of prisoners in productive industry is necessary both in their interest and in that of society. It recommends the creation of a central department to regulate prison-work. It has not much to say about the importation of prison-made goods from abroad.

MR. RITCHIE's Foreign Prison-made Goods Bill, which was read a second time by a large majority on May 13, provides that goods proved to have been made wholly or partly in foreign gaols and similar establishments shall be excluded from the United Kingdom. The practical interests affected by the Bill are not large; but there is involved a principle, the difficulty of defining which is illustrated by the dialectics of the politicians. The opponents of the Bill asked: why did not the Government include corn, machinery, textile articles from India, and jute? The supporters of the Bill retorted: why does not the Opposition propose that prisoners in English gaols should be allowed—what they are not now allowed to do—to compete with British industry? Perhaps the most *recherché* argument against the Bill was one employed by Mr. Burns—

“If by the Bill the Government labelled or identified these goods, they affirmed to the English people the low-water mark of cheapness and dragged English competition down to the lowest possible limit.”

THE report of an inquiry into the condition of the unemployed conducted under the Toynbee Trust during the winter 1895-6 contains a mass of trustworthy fact which is not the less valuable because it

cannot be fitted into preconstructed theories. The method pursued was to select a certain number of sample cases and to observe them continuously for several weeks. The total number of cases thus placed under observation was only 144, but we may take the word of the able editor, Mr. Arthur Woodworth, that these cases may be regarded as typical. Some guarantee that the samples are representative is afforded by the diversity of the localities from which they were selected, Glasgow, Manchester, Liverpool, Oxford, Cambridge and four different areas in London. Many of the observations made on these cases do not confirm preconceived opinions. Thus there is an unexpectedly large number of men under forty-five, 90 out of 135 who gave their ages. The population is not so shifting as might be expected; the average duration of occupancy is from thirty to forty months. The number of men who having learned one trade attempted work at another is singularly small, only four cases, and even those doubtful. The most important inquiry is, of course: Why were these 144 men unemployed? But unfortunately the table showing the reasons assigned why men are out of work is "of little statistical value." As the editor explains, it depends largely on the bias of the individual investigator whether the cause should be classed as voluntary or involuntary; e.g. the category of "physical causes" may include men who are drinking themselves into chronic ill-health. Among the "voluntary" causes marriage is in one case assigned. As a set-off, among the sources of income wine figure largely.

ALMOST the only general characteristic presented is the stolidity of the unemployed. "The flexibility which would make him adapt himself to whatever work could be had is absolutely lacking." Accordingly *laissez-faire* can hardly be the only remedy. "*Laissez-faire* is certainly a failure for people to whom opportunity is valueless, because they have neither the energy nor the intelligence to use it." Among the twelve special cases of which the history is given in interesting detail we read of a rope-spinner described "as a very decent man," who lost his employment through the introduction of machinery. He then worked as a common labourer. But even this work had failed him for three weeks before the beginning of the inquiry. "At the end of the fourth week he had received some help from the University settlement, and then found work as his trade as rope-spinner"—a situation which has proved to be permanent. Without the timely aid afforded by the University settlement, would this decent man have remained among the unemployed?

THE French Budget, which has now passed the Chambers contains a provision that the State shall make a contribution to every pension which is of an amount between 50 and 250 francs granted by department or commune to a person of French nationality who is infirm and either over seventy or afflicted with an incurable malady. The

number of persons to which the State is to contribute must not exceed 2 per mille of the population of each department, and the contribution must not exceed 50 francs. It is also proposed to encourage thrift by arrangements facilitating the voluntary insurance against destitution in old age. The pensions thus secured are to be entered on at the age of sixty. Pensions under 360 francs will receive a subvention—of amount not specified—from the State.

" Words of the wharf and the market-place,
And the ware the merchant brings."

Such is the unusual texture of a poem which Mr. Rudyard Kipling has recently published (in the *Times* for April 27). Homer has not scrupled to describe in some detail the commercial transactions by which the Greeks encamped before Troy provided themselves with wine :

" Each in exchange proportioned treasures gave,
Some brass or iron, some an ox or slave ; "

as Pope translates. The modern poet has chosen a still more intractable subject, namely, the differential tariff which the Canadians have proposed in favour of the mother country. Canada, as " Our Lady of the Snows," declares with reference to the decision :

" Daughter am I in my mother's house,
But mistress in my own."

It seems doubtful, however, whether the independence thus asserted exists. The treaties of the mother-country with Germany and Belgium appear to forbid the act of filial piety contemplated by the colony. But however the international lawyers may decide this question, Canada may at least claim credit for a good intention :

" I have proven faith in the heritage
By more than the word of the mouth."

THE British Association will this year hold its meeting in Canada, at Toronto, from the 18th to the 26th of August. The Section of Political Economy and Statistics will be presided over by Professor E. C. K. Gonner, and the meeting promises to be highly successful. We understand that papers have been promised by most of the leading American economists.

At a meeting held in Edinburgh on the 10th ultimo, Mr. John M. McCandlish, W.S., in the chair, it was resolved " that it is desirable to promote an Association in Edinburgh for the study and discussion of economic financial and statistical science." A Committee was formed to promote the Association, which has the valuable support of Professor J. S. Nicholson. We understand that Mr. J. H. Romanes, W.S., who published in January last a plea for the foundation of such a Society, is acting as Secretary for the present.

RECENT PERIODICALS AND NEW BOOKS

Journal of the Statistical Society.

March, 1897.

Interpretation of Criminal Statistics. REV. WM. DOUGLAS THOMSON.

Local Death-rates in England and Wales in 1881-90. T. A. WELTON.

Silver Prices in India. FRED. J. ATKINSON.

Index-numbers based on 100 commodities show a rise of price in relation to silver (bullion) from 1861 to 1878, thence to 1886 a drop, afterwards a rise. "The fluctuations in rupee prices were very much greater, both before and after the demonetisation of silver, than the fluctuations in gold prices."

A Measure of Civilisation. MARCUS RUBIN. Not the death-rate *simpliciter*, but the square of the death-rate divided by the birth-rate.

The Economic Review.

April, 1897.

Agricultural Norway. R. HEDGE WALLACE.

The Municipal Charities of Oxford. REV. W. A. SPOONER.

The four branches into which under the scheme of the Charity Commissioners the Oxford Charities are divided—Loan, Apprenticeship, General and Almshouses, and Annuity—are described. Provision for old age either in an almshouse or by a pension is made for less than one in a thousand. The writer questions the desirability of much increasing this provision. Among other reasons, "a wide diffusion of public pensions would attract to Oxford many poor people drawing near to the close of their working lives." There is being tried the experiment of granting a small supplementary pension to those who have personally or vicariously made a partial provision.

Why are Betting and Gambling Wrong? REV. A. BARNETT. *What are the Interests of Shareholders?* HELEN A. DALLAS. *Moral Limitations of State Interference.* II. E. F. B. FELL. *The Agricultural Labourers. A Reply.* JOHN C. MEDD.

The Nineteenth Century.

March, 1897.

How Poor Ladies Live. FRANCES H. LOW. A gloomy picture of hopeless poverty, which is attributed to the excessive supply of trained labour.

April.

How Poor Ladies Live: a Reply. ELIZA ORME.

Dissenting from Miss Low's explanation, Miss Orme assigns as a cause of female improvidence the prospect of marriage; as the remedies, employment tending to make the life of an unmarried woman more interesting, and a benefit society which would allow a woman to draw out her savings on marriage.

How Poor Ladies Might Live: An Answer from the Workhouse. [By an employée.] EDITH SHAW.

Fortnightly Review.

March, 1897.

A Study of Turkish Finance. A TURKISH PATRIOT. *Workers' Insurance Legislation in Germany.* HENNETTE JASTROW.

Contemporary Review.

March, 1897.

Ten Years of Millionaires. An analysis of thirty-two estates, each exceeding £1,000,000 and averaging £1,500,000, which were proved during the ten years 1887-1896.

May.

Financial Relations between Great Britain and Ireland. The RIGHT HON. LEONARD COURTNEY.

The payments made in Ireland for Irish purposes, may be set off against the excess contributed by Ireland. But it would be better to reduce the taxation of the poor, *e.g.*, by the remission of taxes on tea or tobacco.

The National Review.

March, 1897.

The Irish Claim and Some Replies. BERNARD HOLLAND (Secretary of the Financial Relations Commission).

Distinguishing the constitutional question and that of policy, the author interprets the mind of the framers of the Union by remarkable quotations from contemporary speeches. Power to make exemptions and abatements was expressly reserved. There was to be no distinction as to expenditure. "It is immaterial to Great Britain where the expenditure takes place," said Lord Castlereagh. According to Mr. Chisholm's interpretation (Return 1864) "the consolidated revenues were to be applied indiscriminately." So, too, Mr. Childers, whose position, with that of the other Commissioners, is well explained. If the expense of Irish administration is to be set off against the amount of Irish taxation, then Irish administration should be subject to Irish control.

John Bull and Silver. F. J. FARADAY.

April.

The Story of a Philanthropic Pawnshop. EDITH SELLERS.

An account of the imperial pawn offices in Vienna, founded by Joseph I.

May.

Shipping Charges and Fall in Prices. A. W. FLUX.

The change in freight charges is ingeniously measured by averaging for all countries differences of which the following are specimens: the value of imports into India from the United Kingdom *minus* the exports from the United Kingdom into India, and the value of imports into the United Kingdom from India *minus* the value of exports from India. Comparing the eight years ending 1886 with the eight years following, we find that the import values of goods entering into international exchanges exceeded their export values by 15 per cent. in the former period, in the latter by somewhat over 15½ per cent. "May we not claim some reliability for the indication of the *direction of change*?" [No; considering the divergency of the items out of which the average is formed.]

In the *Humanitarian*, besides the *éloge* of the late J. B. Martin by Edward Bruce, there is to be noticed a first article on the American workwoman by E. Levasseur. He records and seeks to account for the fact that women are paid less than men for similar work.

The Australian Economist for February contains the inaugural address of the President Walter Scott: a temperate criticism of bi-metallic proposals.

Quarterly Journal of Economics (Boston).

April, 1897.

The Safety of the Legal Tender Paper. CHARLES F. DUNBAR. *The Birth-rate in Massachusetts, 1850-90.* F. S. CRUM. *Co-operative Stores in the United States.* EDWARD CUMMINGS. *The Steadily Appreciating Standard.* C. M. WALSH. *The Taxation of Sugar in the United States.* CHARLES S. GRIFFIN.

Political Science Quarterly (New York).

March, 1897.

Classification in Public Finance. PROF. CARL C. PLEHN. *Journeyman's Clubs.* PROF. W. J. ASHLEY.

Journal of Political Economy (Chicago).

March, 1897.

Greenbacks and the Cost of the Civil War. WESLEY C. MITCHELL. *Credit Instruments in Business Transactions.* DAVID KINLEY. *The Assessment of Taxes in Chicago.* ROBERT H. WHITTEN. *Trade Union Organisation in the United States.* W. L. M. KING. *England's Dominant Industrial Position.* CH. ZUEKLIN.

American Academy of Political and Social Science (Philadelphia).
March, 1897.

Concentration of Industry and Machinery in the United States. E. LEVASSEUR. *Silver Free Coinage.* . . . C. G. TIDEMANS. *The Quantity Theory.* W. A. SCOTT. *Political and Municipal Legislation in 1896.* E. D. DURAND.

Journal des Économistes. (Paris).

March.

Du Degré de Bien-être de l'Ouvrier aux États-Unis. E. LEVASSEUR. The American workman obtains more nominal wages, and still more real wages, owing to the cheapness of articles of common consumption; but is far from feeling this difference, as he no more thinks about what the Frenchman earns than the Frenchman thinks about what the Hindoo earns.

Les Chambres de Compensation et les Caisses de Liquidation. M. G. FRANÇOIS. *Mouvement scientifique et industriel.* D. BELLET.

April.

Le Negro Problem aux États-Unis. G. DE MOLINARI. *Les Chambres de Compensation et les Caisses de Liquidation suite.* M. G. FRANÇOIS. *Le Référendum au point de vue économique.* V. PARETO. *Revue des Principales Publications économiques de l'Étranger.* M. BLOCK. *Réflexions sur le "Socialisme scientifique."* E. D'EICHTHAL. *Une Variété de Placement officiel.* F. PASSY. *Souvenirs du Siam.*

May.

L'Assemblée constituante et les Biens du Clergé. CHARLES GOMEL. *Le Solidarisme, la Science économique et les Doctrines sociales.* H. LÉON. *Le Mouvement agricole.* L. DE TOURVILLE. *Revue des principales publications économiques en Langue française.* M. ROUDEL. *Sur la Théorie Marxiste de la Valeur.* M. SOREL. *Sauvetages.* F. PASSY.

Revue d'Économie Politique (Paris).

March 1897.

La loi de Gresham et . . . le bimétallisme. H. D. MACLEOD. *Frappe clandestine et frappe libre.* ROCHUSSEN. *L'Inspection de l'Industrie en Autriche.* L. DECHESNE. *Corrélations financières de l'Indice céphalique.* G. DE LAPOUGE.

May.

Quelques Fabriques Modèles en Angleterre. A. S. LEVETUS. *Étatisation de Boulangerie.* V. TILL. *La Conciliation industrielle en Belgique.* L. DECHESNE. *Le Travail du Dimanche en Belgique . . .* E. DUBOIS. *La Durée du Travail dans l'Industrie française de 1820 à 1870.* CHARLES HIST.

In the *Journal de la Société de Statistique* (Paris) for March, 1897, M. Gustav Beynamé has completed his important computation of the *Cost of Life in Paris*; by means of average prices for seven kinds of food and two kinds of fuel, ranging from the figure 84 in 1805 up to 132 in 1880, and again downwards to 104 in 1895.

In *De Economist* (La Hague), March 1897, with reference to the proposed legislation on the financial relations between State and

Commune, J. B. Westedigk exhibits graphically the progressive scales prevalent in different communes, and tests them by reference to the principle on which "all reasonable supporters of progression" are agreed [?] that (above a certain minimum) the rate of taxation shall at first increase much more rapidly than the income; and afterwards decrease as incomes increase, until it becomes practically a uniform percentage.

In the April number the theory of progressive taxation is discussed by Professor Rochussen. There are schemes preferable to the "Benthamite system" of exemption below a certain minimum and a contribution of uniform percentage above it.

In the same number Professor the Baron d'Aulnis de Bourouill demonstrates by statistical charts (1) that the price of wheat in protectionist Germany had risen above the price in the free markets of London and Rotterdam in 1880, and that afterwards the excess increased with the increase and decreased with the decrease of the duties; (2) that there is a close correspondence between the prices of wheat and bread.

Jahrbücher für Nationalökonomie (Jena).

March 1897.

Zur Bevölkerungsgeschichte der Altertums. JULIUS BELOCH.

Die Statistik der Arbeits-einstellungen. VICTOR MATAJA.

April.

Frequenz der deutschen Universitäten in-früherer Zeit. FRANZ EULENBERG.

Die Preise in 1895 und 1896 verglichen mit den Vorjahren.

Index numbers based on the latest Hamburg prices do not show any material change in 1896 as compared with 1894.

Japan's Wirtschaft und Preis-niveau. J. WERNICKE.

The *Archiv für Soziale Gesetzgebung*, for January, 1897, contains an important article by Mr. and Mrs. SIDNEY WEBB, on the attitude of British trade-unions towards the introduction of new methods of work. The old uncompromising opposition of trade-unions to machinery is a thing of the past. The only question is now who is to get the addition to the product due to the improvement. Inexperienced unions have claimed the whole of this improvement; the better advised claim only that their net advantages should be somewhat increased, or at least that they should not be diminished. In case of a trade being revolutionised by machinery, for which only cheap labour is required, the best course for the displaced skilled operatives is not to compete with machinery by lowering wages, but to maintain the peculiar excellence of handwork (as the Cordwainers do).

The February number has an article by Dr. Bauer on the Home Industries in Austria and the projected regulation thereof.

The March number contains a full discussion of the Report of the Austrian Commission on Female Labour, summarily described in the *ECONOMIC JOURNAL*, Vol. vii., p. 101.

Giornale degli Economisti (Rome).

March 1897.

Curve da fenomeni economici. R. BENINI.

La curva delle entrate e la curva di probabilita. F. Y. EDGEWORTH. A soft answer to the complaint of Prof. Pareto that his income:

curve (referred to in the ECONOMIC JOURNAL, Vol. vi., p. 666) had been disparaged.

Ultima risposta al Prof. Edgeworth. A parting shot.

April.

L'elemento Soggettivo nella teoria del Valore. V. GROCINI. *Rete ferroviaria degli Stati Uniti.* L. BARBERIS. *Base economica della Storia.* A. CONTENTO.

May.

Rete ferroviaria degli Stati Uniti (continued). L. BARBERIS. *Il programma dei liberali in materia di politica ecclesiastica.* Professor A. DE VITI DE MARCO, and others.

In *La Riforma Sociale* (Turin) for April may be noticed *Indagini di Antropometria Militare* by Professor R. Benini, summarising the investigations of Dr. R. Livi (*Antropometria Militare . . . Giornale Medico del R. esercito*), e.g. that stature of European peoples diminishes with the latitude and with the height above the sea.

NEW BOOKS.

BAILEY (M. B.). *A New Industry (Cotton Bag Manufacture): with a sketch of events in the Life of its Founder.* London: Simpkin. 8vo, pp. 238. 1s.

BASTABLE (PROF. C. F.). *Theory of International Trade.* 2nd ed. London: Macmillan and Co., 1897. Pp. 183.

[Revised and enhanced by additional discussion of some controverted questions.]

BEDFORD, DUKE OF. *Report on Working and Results of Woburn Experimental Fruit Farm.* London: Eyre and Spottiswoode.

BOISSEVAIN (G. M.). *The Monetary Situation in 1897.* Translated from the Dutch. London: Macmillan and Co. 1897. Pp. 84.

CAIRD, EDWARD. *Individualism and Socialism.* Glasgow: J. Maclehose.

GREEN (J. L.). *Allotments and Small Holdings.* London: Sonnenschein; New York: Scribner's. 12mo. \$1.

JEKELFALUSSY (JOSEPH DE). *The Millennium of Hungary and its People.* Budapesth, 1897. 8vo, pp. 672.

[The agriculture, forestry, commerce, money, and credit, and other aspects of Hungarian civilisation with which the economist and publicist are concerned are described in this summary of the results of the development of one thousand years.]

LEEVEY (E.). *A Scheme for the Regulation of the Output of Coal by International Agreement.* English Version by J. Horton. London: Lockwood. 8vo, 2s.

LORIA ACHILLE. *Problèmes Sociaux Contemporains.* Translated, with a Preface, by René Worms. Paris: Giard et Brière, 1897. Pp. 174.

[A translation of the lectures noticed in the ECONOMIC JOURNAL, Vol. V., p. 504.]

MARX (KARL). *Nine Chapters from "Capital." A Critical Analysis of Capitalist Production.* Translated from the Third German Edition by Samuel Moore and Edward Aveling, and edited by Frederick Engels. London: Swan Sonnenschein and Co. Pp. 213. 1s.

[A reprint in a popular form of chapters i. to ix. of the complete work, containing the sections dealing with Commodities and Money, the Transformation of Money into Capital, and the Production of absolute Surplus-value.]

NEW ZEALAND COLONIST. Notes on Political Economy from the Colonial point of view. London: Macmillan, 4s. 6d.

ESSAYS IN LIBERALISM. By Six Oxford Men. London: Cassell. 8vo. Pp. 286.

STUBBS (C. W.). A Creed for Christian Socialists. London: W. Reeves. 8vo. pp. 122. 2s.

WILEMAN (J. P.). Brazilian Exchange: The Study of an Inconvertible Currency. London: E. Wilson. 8vo. 5s.

WOODWORTH (A. V.). Report of an Inquiry into the Condition of the Unemployed, conducted under the Toynbee Trust. London: J. M. Dent and Co. 12mo, pp. 62. 6d.

ADAMS (HENRY C.). Economics and Jurisprudence. President's Address to the American Economic Association. New York: Macmillan and Co. 8vo, pp. 48. 50 cents.

[Maintains that some new form of "property," or of rights analogous to property rights, should be devised, whose possession shall make workmen responsible in the same manner in which capitalists are now responsible before the law through their ownership of property.]

AMERICAN ECONOMIC ASSOCIATION. Hand-book, with Report of the Ninth Annual Meeting. New York: 1897. Pp. 162.

[The hand-book contains the constitution of the Association and a list of members and subscribers; who it seems, amount to 665—about the same as the membership of the British Economic. This number includes fifteen "honorary" members. The report gives abstracts of papers which were read at the meeting. The paper on credit instruments is based on replies from upwards of 5,000 banking institutions concerning the amount and character of their deposits on the first of last July. It appeared that 68 per cent. of retail business is done by cheques and other credit instruments; 95 per cent. of the wholesale trade, and 92.5 per cent. of all business.]

ARNOLD (B. W.). History of the Tobacco Industry in Virginia from 1860 to 1894. Johns Hopkins University Studies in Historical and Political Science, 15th Series, 1-11. Baltimore: Johns Hopkins Press. Pp. 86. 50 cents.

[Describes the progress and changes in the tobacco industry in Virginia since the Civil War and the emancipation of the negroes, from the standpoint, first of the planter, and secondly of the manufacturer. A bibliography of the subject is appended.]

BELLAMY (EDWARD). Equality. New York: W. Appleton and Co. 8vo. \$1.25.

[A new tale, by the author of "Looking Backward," which, it will be remembered, gave rise some years ago to the "Nationalist" (collectivist) movement, now nearly subsided. The new volume continues the same train of thought.]

BRYAN (WILLIAM J.). The First Battle: A Story of the Campaign of 1896. London: Sampson Low. Pp. 629.

BULLOCK (C. J.). Introduction to the Study of Economics. Boston: Silver, Burdett and Co. 8vo, pp. 511. \$1.50.

[An elementary text-book designed for the use of secondary schools and smaller colleges. The author is instructor in Cornell University.]

CORNWALL (W. C.). Sound Money Monographs. New York: G. P. Putnam's Sons. 8vo. \$1.25.

[A collection of speeches and pamphlets on "sound money," by a bank President.]

GEORGE (JOHN E.). *The Saloon Question in Chicago*. *Economic Studies*, Vol. II., No. 2. American Economic Association. New York: Macmillan Company. Pp. 110. 50 cents.

[The author discusses the question from the financial, legal and political points of view, and indicates the distinctive features in Chicago arising from (1) the great territorial extent of the city; (2) its climate; (3) a preponderance of foreign population.]

GIDDINGS (F. H.). *The Elements of Sociology*. New York: The Macmillan Company. 8vo.

[As its title indicates, this volume gives a briefer and more elementary exposition of the principles put forth in the author's larger volume.]

GREENE (J. L.). *Corporation Finance. A Study of the Principles and Methods of the Finances of Corporations in the United States, with special reference to the valuation of Corporation Securities*. New York: G. P. Putnam's Sons. 8vo. \$1.25.

[The author is auditor of the Manhattan Trust Company in New York.]

HOPKINS (WILLIAM ROWLAND). *The Street Railway Problem in Cleveland*. *Economic Studies*, Vol. I., Nos. 5-6. American Economic Association. New York: Macmillan Company. Pp. 376. 75 cents.

[A statement of the past and existing conditions in the city of Cleveland, with a discussion of the policy which the city should pursue with regard to its street railways. The plan of leasing "franchises" in preference to municipal management is recommended.]

LAUGHLIN (J. L.). *History of Bimetallism in the United States*. Second revised and enlarged edition. New York: D. Appleton and Co. 8vo.

[A revised and enlarged edition. The first edition appeared in 1885.]

MILLION (J. W.). *State Aid to Railways in Missouri*. Chicago: University of Chicago Press. 8vo, pp. 264. \$1.75.

NICOLLS (W. J.). *The Story of American Coals*. Philadelphia: J. B. Lippincott Co. 8vo, pp. 406. \$3.50.

[Deals in successive parts with the origin, development, transportation, and consumption of coal in the United States. The author is an engineer of experience, and the book is a convenient and trustworthy source of information.]

SALMON (LUCY M.), Professor in Vassar College. *Domestic Service*. New York: Macmillan Co. 12mo. Pp. 307. \$2.

SPIERS (F. W.). *The Street Railway Problem of Philadelphia*. Baltimore: Johns Hopkins Press.

WINES (F. H.) and KAREN (J.). *The Liquor Problem in its Legislative Aspects*. Boston: Houghton, Mifflin and Co. \$1.50.

[The authors, well known for their knowledge and judgment, were selected by a committee of fifty prominent gentlemen to inquire into the effects of prohibitive and restrictive legislation on the liquor traffic in the United States. This volume reports the results of their inquiries, which cover eight States, having all varieties of legislation. It gives a mass of trustworthy and well digested information.]

BERNÈS (MARCET). *Sociologie et morale*. Paris: Giard et Brière. Pp. 168.

[A somewhat metaphysical discussion of the method of the two sciences and their mutual relations.]

BLOCK (MAURICE). *Les Progrès de la Science Économique depuis Adam Smith*. Paris: Guillaumin et Cie. 1897. 2 vol. (pp. 679 and 581).

[A completely revised second edition of this well known work with additions on Statistics, Evolution, Economic Categories, Private and Social Economy, Intellectual and Physical Labour, Agriculture, etc.]

DECHESNE (LAURENT). *La Grève contre le tissage à deux métiers.* Verviers : E. Gilon. Pp. 74.

[Gives an account of the labour disputes in the woollen industry at Verviers during the years 1895-96, and especially of the prolonged strike at the beginning of 1896 against the introduction of the system of weaving on double frames, and contains a discussion of the relative advantages and disadvantages of this system.]

DICIONNAIRE DU COMMERCE, DE L'INDUSTRIE ET DE LA BANQUE. 2 Vol. 8vo.

[The now forty years old *Dictionnaire théorique et pratique du Commerce* being out of print, a *Dictionnaire* edited by Messrs Yves Guyot and Raffalovich is to be published by Messrs Guillaumin et Cie., where subscriptions at the reduced price of forty francs are received.]

DOMANSKI. *La Liberté, l'Égalité et la Fraternité.* Paris: Guillaumin et Cie., 1897. Pp. 67.

[A criticism of the popular notions on these subjects from the standpoint of scientific culture.]

DUMAS (JACQUES). *Les Lois ouvrières devant le Parlement anglais.* Paris: Larose. 8vo, pp. 74.

[An historical sketch of social and labour legislation in England, from the reign of Queen Elizabeth to the Factory Act of 1895. Primary education, public health and the housing of the working classes, the poor law, the protection of women and children, factory and work-shop legislation, the regulation of houses of labour, the sweating system, the truck system, arbitration and conciliation, the right of combination, and employers' liability are reviewed in separate sections. The author considers that in England the problem of State protection without undue interference with liberty has been more satisfactorily solved than elsewhere.]

HURET (JULES). *Enquête sur la Question sociale en l'Europe.* Paris: Perrin. Pp. 372.

[An amusing and instructive account of the interviews on the social question which the author has had for the *Figaro* with Rothschild, the Prince of Lichtenstein, Bebel, Burns, General Booth, Professor Wagner, Leroy-Beaulieu, and others.]

Supplément au Nouveau Dictionnaire d'Économie Politique de MM. LÉON SAY et JOSEPH CHAILLEY BERT. Paris: Guillaumin et Cie., 1897. (Pp. vi and 271.)

[Contains numerous biographical notices and several developed articles on Anarchism, Antisemitism, the *Cadaastre*, Monetary Circulation, Ancient Colonisation, the English and the Canonic schools, Crédit Foncier and Agricole, Économie Rurale, the Rural Classes, &c.]

TARBOURIECH. *La Responsabilité des Accidents dont les Ouvriers sont Victimes dans leur Travail.* Paris: Giard et Brière. Pp. 216.

TARDE. *L'opposition universelle.* Paris: Alcan. Pp. 450.

[In this transcendental sociology "all the antinomies of nature are brought together for the simultaneous resolution of the eternal problems of war and competition." The eminent sociologist concludes with the new school of solidarity that "love is superior to opposition." "Hymen only is productive, not war."]

TONNET (ANTOINE). *La Banque de France et le Renouveau du Privilège.* Paris: Guillaumin et Cie., 1897. Pp. 85.

[Favourable to the granting of a new charter.]

VAZEILLE (DR. A.). *La Question sociale est une Question de Méthode.* Paris: Giard et Brière, 8vo, Pp. 94. 2fr.

[An argument for theoretical collectivism. The author considers that social science has not yet been submitted to rigidly logical methods of study, and that when this has been done collectivism will appear the inevitable out-come of present social conditions.]

VIGNES (M.). *La Science sociale d'après les Principes de Le Play et de ses Continuatores.* Paris: Giard et Brière. 2 vols. 8vo, 16 fr.

BRENTANO (LUJO). Agrarpolitik. Ein Lehrbuch. I. Theil: Theoretische Einleitung. Stuttgart: Cotta. 8vo, pp. 145. 3 m.

EHRENBERG (RICHARD). Der Handel. Jena, 1897.

FISK (DR. GEORGE M.). Die handelspolitischen und Sonstigen völkerrechtlichen Beziehungen zwischen Deutschland und den Vereinigten Staaten von Amerika. (Münchener Volkswirtschaftlichen Studien, 20^{tes} Stück.) Stuttgart: J. G. Cotta'schen Buchhandlung. 8vo, pp. 254.

[An historical and statistical study of the commercial relations between Germany and the United States from 1785 to 1891. Contains a table of the treaties and conventions entered into between the United States and separate German States, as well as with the German Empire, and a full bibliography of the subject.]

FRANKENSTEIN (DR. KUNO). Der Arbeiterschutz. Leipzig: 1896.

KAUTOROWICZ (FRANZ). Rubelkurs und russische Getreideausfuhr. Eine Währungs-Studie.

KAUFMANN (RICHARD). Die Eisenbahnpolitik Frankreichs. 2 vols. Stuttgart.

NODEL (PAUL). Die grossen Berliner Effektenbanken. Mit einer Vorrede von Prof. Dr. A. Wagner.

PHILIPPOVICH (E. von). Grundriss der politischen Oekonomie. I. Band: Allgemeine Volkswirtschaftslehre. 2 Auflage. Freiburg. J. C. B. Mohr. 8vo, pp. 404. 9.40 m.

SONNENSCHNEIN (SIGMUND). Die Eisenbahn-transport-Steuer und ihr Stellung im Staatshaushalte. Berlin.

THURNEYSSSEN (DR. FRITZ). Das Münchener Schreinerergewerbe. (Münchener Volkswirtschaftliche Studien, 21^{tes} Stück). Stuttgart: J. G. Cotta'schen Buchhandlung. 8vo, pp. 163.

[Deals with the economic and social conditions of carpenters in Munich, the influence of trade unions on the industry, and particularly the prospects of small employers.]

FERRARIS (C. F.). Il materialismo storico e lo stato. Palermo: Sandron. 1897.

[Directed against Prof. Achille Loria's *Bases Économiques de la Constitution sociale*.]

LORIA (ACHILLE). La Controversia del Capitalismo in Russia. Rome, Forzari: Pp. 40. 1896.

[The author shows that since the Emancipation of 1861 the progress of "Capitalism" has been inevitable. All that can be done is to lessen some of its harshness; but it must come in Russia as elsewhere. Marx was not faithful to his principles when (at the close of his life, in a letter published in the *Messaggero Giuridico* of 1888) he denies that there is any inexorable law of evolution necessarily bringing forth "capitalism" as a stage in the history of all nations. As against the enthusiasts who reject all objective laws and claim for Russia a path of her own in industry, reverting to artels and the village community, or foreseeing the general adoption of co-operation—Professor Loria sides with those Russian writers who admit that the dismal change is not only coming, but has already in great part, begun, in Russia.]

LORIA (ACHILLE). La Proprietà Fondiaria e la Questione sociale, Verona: Fratelli Drucher: 1897. Pp. 32.

MASSA CARLO. Filippo Briganti e le sue dottrine economiche Vecchi: 1897. An Essay on an ancient classic.

MORENA (ALETE). Vittoria Fossombroni economista: Arezzo. Bellotti. 1896.

THE ECONOMIC JOURNAL

SEPTEMBER, 1897

THE THEORY OF RAILWAY RATES.¹

At the request of my friend Professor Edgeworth, who has, I suppose, considered that the tendency of academic study to be too abstract and theoretic, might usefully be corrected by your listening for an hour to a lecturer who, while hardly claiming more than a schoolboy acquaintance with general economics, has yet devoted special attention, largely based on actual personal contact with the concrete facts, to the study of railway economics in particular, I have undertaken to sketch in a lecture the outlines of a subject which for its adequate treatment would require a portly volume. You will, I am sure, forgive me, therefore, if I confine myself strictly to my subject, and if, refusing to discuss hypothetical bases of railway rates—postal principal rates, rates based on cost of service, or equal mileage rates, these two latter things essentially opposite to one another though often imagined to be the same—I confine myself to the theory which, as far as I know, has been practically applied in the conduct of railway affairs *semper, ubique, ab omnibus*, applied whether those responsible for imposing the rates have been officers of the State or managers of private commercial undertakings, though doubtless to some extent in Germany and to a greater extent in the zone-tariff of Hungary and Austria the outward semblance appears otherwise.

This theory is commonly described in England, and by practical men who have no more idea of acting on economic theory than M. Jourdain had of talking prose, as “charging what the traffic will bear,” in other words charging rates based not on the cost of the service to the railway company, but on what it is considered that the recipient can and should pay for it. Historically this theory has been recognised and approved by English legislation from the time when Adam Smith applauded the equity

¹ A lecture delivered at Oxford, Lent Term, 1897.

of statutory turnpike tolls at the rate of 1s. for a light carriage and 8d. for a heavy dray, through the whole long series of canal Acts and railway Acts, down to the elaborately careful revision of the railway companies' charging powers in the series of Provisional Order Confirmation Acts dated 1891 and 1892. The opinion of modern economists all over the world as to the justice of the underlying principle may be conveniently summarised in a sentence borrowed from the first annual report of the American Interstate Commerce Commission: "With this method of arranging tariffs little fault is found, and perhaps none at all by persons who consider the subject from the standpoint of public interest."

In order to place ourselves in a position to appreciate and criticise the theory, let us first consider very briefly the nature of a railway and its business. At the outset, however, one thing should be noted. No other industrial undertakings are as much controlled as are railways by non-economic forces. Positive legislation, traditional standards, claims on the ground of social obligation, all have—here in England at least—had so much weight that the results we see produced in practice are far from being the effect of the natural working of economic laws.

A railway company occupies a double position. It is first the owner of a road and secondly a carrying agency. As the owner of a road it is entitled to tolls for use and maintenance; as a carrier it claims payment for services directly rendered. The *cahiers des charges* of the French railways still distinguish between the *péage* and the *prix de transport*, and our Acts previous to the recent revision apportioned the total maximum rate legally exigible between toll for the use of the line, charge for engine power, and charge for the use of carriages or waggons. *Qua* road owner the railway company is comparable to a canal company or a turnpike or bridge trust. It has invested a large capital in the construction of its line. The line is there, available for the use of traffic of all kinds, but useless except for transport purposes. The capital is irrevocably sunk. The expense of maintenance is small by the side of the amount of money required to pay interest at the normal rate on the construction capital. *Qua* carrier the railway company represents both the stage-coach and the pack-waggon proprietors. To a large extent the same stud of horses haul and the same staff of servants attend to both passengers and goods. In other words almost the whole construction capital is spent, almost the whole cost of maintenance and a large part of the working expenses strictly

so-called are incurred, on behalf of the traffic as a whole. The absolute withdrawal of either the entire goods or passenger traffic would leave the claim of capital to its normal interest just as great as before, would effect but trifling reduction in the cost of maintenance, and even in traffic working proper would produce very far from a corresponding reduction of expense. The withdrawal of certain categories of goods or passenger traffic, say, export or market goods or excursion passengers, would leave the volume of expenses practically—the withdrawal of single consignments of goods or single passengers would leave them absolutely—unaltered. The expenditure, that is, of a railway company is incurred almost wholly on the joint account of all its customers; the accommodation it provides and the services it renders it must therefore render and provide at their joint cost.

This fact is of such importance that it will be well to illustrate with actual figures. Roundly speaking English railways have cost a thousand millions and earn eighty million pounds per annum. One half of this latter sum, forty millions that is, remunerates the invested capital at the rate of 4 per cent.¹ The other half is absorbed in working expenses including therein maintenance. Of the working expenses maintenance of way and works costs £7,600,000. The larger part of this item represents expenditure wholly independent of the traffic carried. Fencing and drainage works must be kept up, the masonry of tunnels and bridges repaired and repointed, ballast replaced, timber and iron work painted and after a time replaced, and so forth, whether one train or a hundred pass over the line per diem. Sleepers rot by weather much faster than they perish by wear. In some parts of the country the same is actually true of the rails themselves. Even of the small portion of the permanent-way expenses due to actual use, such as the normal wear and tear of rails, it is impossible to allocate any definite proportion as between goods and passenger traffic as a whole. It is true that an allocation is sometimes made on the basis of the ratio between goods and passenger train-miles respectively, on the assumption that the extra speed of passenger trains balances in destructiveness the extra weight of goods trains. All such allocations, however, are at best no more than a conventional

¹ It should perhaps be pointed out that, though the cost of an individual line is not, or at least need not be, any element in fixing the rates charged upon it, the cost of all the railways in a country or other given area must be an element. For, unless railways on the average can earn average remuneration on their capital, they will not be built; unless they can maintain that average, they will not be improved and extended.

average. And if allocation be impossible as between goods and passengers, *a fortiori* it is even more impossible among the various categories of goods and passenger traffic *inter se*.; while as for an allocation to individual passengers or individual consignments of goods, probably even the hardest of amateur railway statisticians would not attempt it.

Now take another group of railway expenditures: general charges, 2 millions; rates and taxes, 3 millions; legal and parliamentary expenses, £260,000; miscellaneous, £470,000. Here is a total of nearly 6 millions more, as to which allocation is obviously impossible. To traffic expenses, totalling almost 15 millions sterling, the same thing in great measure applies. One large block of traffic expenditure, that namely on signalling, evidently belongs in its entirety to the traffic as a whole. To the station staff at all but the great stations, and to the head-quarter staff of the traffic department in the main, the same thing applies. The services of passenger guards and passenger porters can of course be charged against the passenger traffic. But once more only against that traffic as a whole. It is impossible to say how much is due to ordinary first-class passengers, how much to season ticket holders, and how much to bank holiday excursionists.

There remains between 16 and 17 millions of expenditure to be accounted for. Carriage and waggon repairs, over 4 millions, can of course be apportioned (though our Board of Trade returns do not in fact divide them) in respect of everything except joint establishment charges between goods as a whole and passengers as a whole, but no further. So with compensation, amounting to some £350,000. Locomotive power costs some 12½ millions. Here at length we have an important sum, capable of allocation to a considerable extent. Goods engines do a great deal of work on passenger trains and *vice versâ*. But broadly the two classes might be, though in fact they are not, kept distinct from one another. Once more, however, there the allocation must stop. It is of course possible hypothetically to allocate the expenses per mile of a passenger engine—a sum which in itself is nothing better than an estimate and an average—as between first and third-class passengers, on the basis of the number of seats supplied for the two classes respectively, or the dead weight implied by those seats, or the number of those seats occupied, or in any other way that the fancy of the statistician may suggest. But in the first place such statistics are woefully imperfect; they cannot, for instance, take account of the earnings of the individual train

from mail and parcel post traffic, for which the Post Office only pays under a lump sum contract. Practically they cannot take account of the important revenue derived from the parcels carried by the Company on its own account.

Even if absolute accuracy were attainable, the result would be of no practical value. Suppose it proved, for example, that on a given train mile the locomotive expenses were 9*d.*, and that of this 3*d.*, or one-third, should be allocated on the basis of ratio of weight to the first-class carriages. Suppose it further shown that in the train there was only one first-class passenger, paying at the rate of 1½*d.* per mile. The statistical conclusion seems obvious, namely, that the first-class traffic is carried at a loss and should be abandoned. Suppose, however, that the railway company acts upon the statistical argument and withdraws its first-class accommodation. The result, as far as locomotive power is concerned, is that the Company saves say 3 lbs. of coal, or one-seventh of a penny on the cost of hauling the train, and sacrifices ½*d.* per mile, being the difference between the 1½*d.* which the first-class passenger was paying and the 1*d.* he will pay, now that he is forced to travel in a third-class carriage. Or again suppose the first-class passenger to be travelling not on business but for pleasure, and that, sooner than risk unpleasant company in a third-class carriage, he or she stops at home altogether. The Company then loses 1½*d.* per mile in order to effect a saving of one-seventh of a penny.

I have deliberately taken a very extreme instance in order to make clear to you the fact that, while the proportion of the total expenses capable of positive allocation even to goods as a whole and passengers as a whole is small, and the proportion capable of allocation to particular categories of goods and passenger traffic is even smaller, the proportion capable of allocation—positive allocation not hypothetical—to individual passengers or individual consignments is so infinitesimal as to be for practical purposes a vanishing quantity. Railways then are the most extreme instances of business conducted at joint cost; their whole capital outlay is incurred on joint account; almost the entire cost of their service is joint; and the extra expenditure incurred specially for any one item of the joint product is extremely small. There are other features of railways as joint cost undertakings which are not without interest. Take a classic instance of joint cost production, say mutton and wool. In Australia mutton is a bye-product of wool; in Oxfordshire wool is a bye-product in the growth of mutton. So it may be with railways.

The Taff Vale was built to carry coal and the passenger traffic is a bye-product. The Metropolitan was built to carry passengers and the coal traffic is a bye-product. Whatever the Taff can earn from passengers or the Metropolitan from coal is broadly speaking pure gain, available either to reduce the rates on the main product or—which for our present purpose comes to the same thing—to increase the dividend. There is another railway bye-product of a still more important kind. Practically speaking a railway is built to serve its local area, and its proprietors calculate on obtaining the local traffic with rates fixed on what may be termed the local scale. Traffic which can only be brought upon the line by low rates—traffic that is which either, owing to its distance from market cannot bear rates upon the local scale, or, owing to its access to competitive and cheaper conveyance, refuses to bear them—is practically a bye-product. The Company gains by securing it at any price above the actual out-of-pocket cost of doing the new business, and that cost is, as we have seen, quite trifling in amount. Further—apart of course from questions of undue preference,—a subject much too complicated to be touched on here—the local customers of the line gain, in that the new traffic contributes, for what it is worth, towards the expenses of the undertaking which otherwise the local customers would have to bear unaided.

There is, however, one important point in which the ordinary joint cost analogies fail us. To so much mutton belongs roughly so much wool. A ton of coal produces as of course so much coke and so much gas. You may no doubt breed primarily for mutton or primarily for wool. If gas is your main object you may disregard the deterioration in the coke from which the last cubic foot of gas has been extracted, while at a Durham coke-oven you may act upon the opposite principle. But the limits within which the one product can be produced at the expense of the other are tolerably narrow. Not so with a railway. Railways turn out what we may call a large number of commodities in variable amounts, some of them, moreover, being mutually exclusive. A district developed as a manufacturing centre or as a shipping port will not be attractive for residential or pleasure purposes. A line crowded with coal trains at a uniform speed of 15 miles an hour cannot deal with 50 miles an hour expresses without either large new expenditure or inordinate reduction of gross carrying capacity. The question constantly comes before railway men in a practical form, as for instance whether the introduction of a workmen's service to some particular residential

suburb will not merely substitute 5 passengers paying $\frac{1}{4}$ d. a mile a piece for one existing passenger paying between say 1d. and $1\frac{1}{4}$ d.

There is another point to be noted at this stage. To no other industry is the law of increasing returns so much applicable as to railways. If a hundred units of traffic cost the Company one hundred shillings for interest and expenses, it is probably a fair estimate to say that a thousand units will cost not 1000 but 325 shillings. The figure is arrived at as follows: interest on capital remains invariable; this, as we have seen, represents one half the total cost. Of the working expenses fully one half, according to estimates made by experts in different countries which largely agree, remain constant. The remaining half are taken to increase proportionately to the increase of traffic. The old expenditure for the 100 units was then $50 + 25 + 25$ shillings. The new expenditure is $50 + 25 + 250 = 325$ shillings. Let me give here just one illustration out of hundreds that might be given of how this law of increasing returns applies. The Lancashire and Yorkshire and the Midland Great Western of Ireland both maintain lines of practically equal length (530 miles). The former Company spends on maintenance of way 8 times as much as the latter. But it carries 40 times the amount of traffic. In other words in the item of maintenance, which, as we have seen, is partly variable and partly invariable, the cost as compared with the increase of earnings increases in the ratio of 1 to 5.

It follows from this that a railway, not merely can afford, but actually gains by making sweeping reductions of rates, if in return they sufficiently stimulate traffic. The fact is often expressed in the formula: "cost of carriage is a function of the rates, not the rates of the cost." It will be seen further that the gap between a rate which is averagely profitable and a rate which is only just better than no rate at all, is an exceedingly wide one. Assume that for a certain category of traffic, say coal, 4s. would be an averagely profitable rate—a rate, that is, estimated to pay its full share of working expenses and its full share of interest on capital at the normal rate. Now assume that, owing to competition, heavy expenses of mining, or for other reasons, the coal traffic cannot be obtained at any rate higher than 1s. 2d. Both the railway Company and its other customers gain by the coal being carried at 1s. 2d. rather than not carried at all. For though this rate pays nothing towards interest on capital and only 2d. towards the fixed expenses, it does pay the entire movement expenses of the coal itself and makes some contribution,

even though only 2*d.*, to the fixed expenses which otherwise the remaining traffic would need to bear unaided. If in place of coal, needing trains of its own, we substitute single consignments of goods or single passengers or groups of passengers carried in trains already run for other traffic, we may bring down the minimum remunerative rate from 1*s.* 2*d.* to a figure probably more than adequately represented by the 2*d.*

It is worth while pausing here for a moment to notice that this disposes of the fallacy lurking in the oft-repeated phrases, "carrying at a loss" and "carrying at the expense of other traffic." Take the oft-quoted case of the 25*s.* rate for imported meat from Liverpool to London side by side with the local rate of 45*s.* from Cheshire. Let us say nothing of the circumstances of the two rates, which in fact are sufficient to satisfy a practical man that the 25*s.* rate, not only yields a larger gross profit, but actually a larger profit per ton carried than the 45*s.* rate. Let us assume that the 45*s.* rate is averagely profitable, in other words, that one half of it represents interest on capital and the other half working expenses. Then the 25*s.* rate gives the Company, not merely 11*s.* 3*d.*, total share of movement expenses, but another 11*s.* 3*d.*, total share of fixed expenses, and in addition 2*s.* 6*d.* as a contribution towards interest on capital. Evidently the import rate would need to come down a long way, say at least to 12*s.*, before there could be any question of carrying at a loss or at the expense of other traffic. Evidently moreover we might admit that the 45*s.* rate was more than averagely profitable—left, that is, after paying its own expenses, more than the normal surplus towards remuneration of capital—and yet it would not follow that it was more than reasonably high. For the 25*s.* rate cannot *ex hypothesi* be raised or it would have been raised already. It could be cancelled, but then the Cheshire meat would lose even the 2*s.* 6*d.* contribution which the American meat now pays towards interest on capital, and would have itself unaided to find money for the whole of the interest. Once more of course I leave out of sight here, as not germane to our present question, the exceedingly important and difficult question of undue preference between the competitive meat-growers.

We have arrived then at this point. Though all the rates must be so fixed as to pay all the expenses both of construction and working, separate rates cannot be fixed according to cost of individual service or even according to the average cost of services to traffic in the same group. For in the first place the cost of the service cannot be ascertained. And secondly, if it could be ascer-

tained, it would be of no use as a standard. To charge the average cost would be to drive away a large portion of the traffic and so to increase almost proportionately the average cost of the remainder. This increase would then drive away a fresh portion, and so once more increase proportionately the cost to that still remaining. And so on *da capo*, till passengers to whom time was not essential would economise by once more travelling in post-chaises.

How then are the rates in practice apportioned among the traffic? As I have said the traffic is charged what it can bear. In other words the carriage of every article is regarded as a bye-product in the carriage of all the rest. The process is in practice worked out as follows. First comes classification. The whole of the commodities known to commerce are entered on a list divided into classes, eight in number here, six in France, and about ten in number in the United States. To each class belongs a normal scale of rates, ranging, let us say, from $\frac{3}{4}d.$ per mile in the lowest to $4d.$ per mile in the highest class. The classification undoubtedly takes account of greater or less cost of carriage to the Companies, arising out of differences of packing, liability to theft or damage, proportion of space occupied to weight, &c. But it is safe to say that its main principle is the more valuable the commodity the higher the rate it can afford to pay. Our own new statutory classification for example puts pigs of iron in one class, pigs of lead in another and higher, and ingots of copper in a third and still higher one; or again classifies red mullet higher than grey; and hot-house tomatoes higher than those grown in the open air.¹

A further differentiation is obtained by means of "cumulative rates" or as the French call them "*tarifs à base décroissante*," under which, as the mileage increases, the rate per mile diminishes. Yet once more, traffic, which cannot bear even these rates, but which is capable, given sufficiently low rates, of large increase, is encouraged by special rates which are professedly fixed at something less than the total difference between the production cost at the place of origin and the consumption price at the place of destination. In a word the railway charges rise steadily in amount as the character of the traffic gradually changes from least valuable and for the longest distance to most valuable and for the shortest distance.

¹ It should be noted that, in the case of passengers, though the companies can fix the scales for the several classes, passengers can in large measure classify themselves. But workmen's fares before seven o'clock or excursion fares available only by particular trains, for instance, partake quite as much of the nature of classification as of the nature of special rates.

That such is in practice the method of fixing rates all over the world, whether the railways be State-owned or private commercial undertakings, I have already said. We have now to consider what is the principle underlying this practical action. Professor Gustav Cohn of Göttingen claims for the practice an ethical origin. Railway rates are, he says, very much like taxation. Their governing principle therefore not only should be but is equality of sacrifice, or in German phrase *Leistungsfähigkeit*. As an instance he cites the Imperial German law which requires the railways to reduce rates for food products in times of scarcity. From the premiss that railway rates are taxation Professor Cohn deduces the conclusion that to the State alone can be entrusted the sovereign function of estimating the *Leistungsfähigkeit* and levying the tax. Even granting his premiss the conclusion does not, I think, follow. For doctors also, to quote but one instance, deliberately base their charges on the principle of equality of sacrifice and charge their patients widely differing fees for the same attendance in accordance with their assumed *Leistungsfähigkeit*. And even in Germany doctors are not State officials and doctors' charges are not regulated by public authority. On the other hand Professor Taussig of Harvard maintains that railway rates are adjusted as between themselves by the action of the economic forces of supply and demand. Now it is, I think, neither an accident nor yet due to difference of personal equation that the American economist invokes the principle of supply and demand, while the German economist invokes the principle of taxation. For in Germany less than in any other country have rates been fixed from a commercial point of view. In America not only have commercial forces had a free play unknown elsewhere, but also America offers an almost illimitable field for the development of traffic by the skilful adjustment of commercially justifiable railway rates.

Professor Cohn unfortunately does not work out in any detail his taxation analogy. We can, however, see for ourselves that the analogy can only be with certain taxation. For instance, protective tariffs, deliberately designed, not to obtain revenue but, so to speak, to stop the traffic, or again, direct taxation, such as for instance the death duties, the reduction of which would evidently not stimulate the death rate, can only be very imperfectly, if at all, comparable. A tax like the tea duty furnishes a better analogy. We may fairly say that a Chancellor of the Exchequer reducing the duty on tea has at least the three following motives: (a) to lessen the sacrifice of the consumer, (b) to stimulate con-

sumption and so recoup the revenue, and (c) to some extent at any rate to secure for his own party the gratitude of the consumer. Now I think all these motives operate on the mind of the railway manager, when he, for instance, reduces rates for agricultural produce, or makes workmen's tickets available at a later hour, or abolishes express fares, or brings 3rd class fares down to the Parliamentary 1*d.* a mile standard.

There is another point where the analogy of the tea duty is worth noticing. We have imagined a *reduction* effected in the duty. Now, broadly speaking, the *imposition* of railway rates is a simple matter, decided in the main on mere routine precedent. When a new branch is opened its rates are practically fixed on a customary scale, and are only concerned with local traffic. Gradually, as the line begins to affect neighbouring traffic conditions, it becomes a question of reductions to develop potential or to attract competitive traffic. It is in these reductions and their relations to other non-reduced or less reduced rates that the real crux of the railway problem lies. For a Government can tap new sources of revenue by imposing new taxation altogether, a match tax, a bicycle tax, and so forth. A railway has taxed every article already. Every article known to commerce is, as I have said, entered already in its classification and is carried therefore, in default of special and individual provision for it, at the normal scale rate applicable to the class to which it belongs. Practically a railway never raises new revenue by increasing rates, or only does so to a negligible extent. To increase revenue it must decrease taxation and so stimulate consumption.

On the whole it does seem to me that the analogy to taxation is a real one. Taxation implies the arbitrary power to fix a scale; and this arbitrary power the railway management does really possess, whether the sovereign railway body, if I may be allowed the expression, be the State or the private owners, or the two in conjunction. Supply and demand fail I think adequately to explain the fixation of railway rates. A gas Company, be it never so rich from its gas revenue alone, cannot escape the necessity of producing coke. But a railway Company, whether because it is too stupid to appreciate the potentiality of wealth involved in potential but non-existent traffic, or too rich to exert itself to increase its income, both can and often does leave entirely undeveloped whole categories of profitable traffic that might by reasonable reductions of rates be brought into existence. Again, having produced its coke, the gas Company has to get rid of it, and can only do so at the market price. The market price is, let

us say, 11s. per chaldron. If the Company fixes and adheres to a price 1s. above that which the natural demand for the article would produce, the coke will simply be left on its hands. If on the other hand it fixes it 1s. below the price that the consumer would be ready to pay, it merely makes him a present of the difference, for it cannot enlarge its production of coke to meet the theoretically stimulated demand. But can any one, in any ordinary sense of the words, speak of the market price of first-class tickets between London and Oxford? For over thirty years to my personal knowledge, and I doubt not for a much longer time, that fare was fixed at 11s. Within the last few months it has been reduced to 10s. 6d. Can any one say that the 10s. 6d. is more or less a demand and supply price than the 11s.? The real fact is that this reduction is only one of many thousands made all over the Great Western system in pursuance of a deliberate and symmetrical scheme which was, we may safely say, inspired partly by a feeling that the superior classes were paying what is popularly though not perhaps scientifically called more than their fair share, partly by the hope of recoupment through increased traffic, and partly by a desire to win popularity and so once more to increase traffic.

I confess that I do not believe that practical experience of the rates office of a great railway would lead any one to think that demand price is an adequate explanation of railway rates. "We send out on the average every day notices of 2,000 new rates from our rates office," was the statement made to me in the last few days by a general manager. Knowing as we do that these rates will probably remain unaltered for a long series of years, can we suppose that they record accurately the result of the higgling of the market? Or, having regard to their quantity, can we suppose that each of them has been arrived at by nice theoretic calculations of the balance of all the economic forces involved? As a matter of practice we do know how the great bulk of these rates are fixed. They are local rates based on precedent. A new station is opened between A and B which are fifty and fifty-six miles from London respectively, and the new rates are accordingly fixed half way between the existing rates in force at A and B respectively. How then did the rates to A and B come into existence? Sometimes as the result of a Parliamentary bargain made forty or fifty years back, but very often as the result one might almost say of sheer accident. To the new station for instance we may be quite sure that the third-class rate from London will be 4s. 5d., and this four-and-fivepenny fare represents a traffic yielding a total

revenue of 24 millions per annum. The penny-a-mile third-class rate was fixed, not by supply and demand in the first instance, but by the Cheap Trains Act of 1844, passed owing to the joint efforts of Mr. Gladstone, then President of the Board of Trade, and Mr. Laing, who only the other day resigned the chairmanship of the Brighton railway, then Parliamentary Secretary of that department. It was fixed as a statutory obligation, which it was then believed the companies could not meet except at a loss, and which was only intended to apply to one train a day. If I am told that, though the price of the one train was not fixed by supply and demand; yet the price of all the other trains since then assimilated to the original one has been so fixed, I can only reply that doubtless supply and demand has had something to do with the matter, but that in my judgment the fact that the British public reckon in pennies and not in cents. or annas or pfennigs has had a good deal more. English railway rates are, I believe, then in the main customary, and it would be at least as true to say that the traffic has been adjusted to suit the rates as that the rates have been adjusted to suit the traffic.

I ought to notice here that Professor Taussig admits that supply and demand do not regulate all railway rates. Of its own local traffic, says he, every Company has a monopoly, and here "the general range of charges may be determined quite without regard to cost or competition on the monopoly principle of getting the largest net return." I confess this seems to me to be still supply and demand, only, owing to the inability of the law of substitution to operate, with the demand for supplies of railway carriage permanently maintained at a higher average level. But I let the point pass because, as I have said, I believe custom to be, here in England at least, the main factor in the adjustment of local rates. Long distance through rates have fallen largely and will continue to fall because the potential increase of traffic may make a low rate ere long more profitable than a high one. Local rates remain unaltered. They are not reduced because it is considered that all the existing traffic does pass at existing rates and there is no potential traffic to be developed by reduction. The reduction of the rates for the carriage of wheat to nil would not enable the farmer to increase his output from four quarters per acre to five. On the other hand they are not increased, though such an increase might be economically justified by an increase, relative if not absolute, in the cost of transacting the retail business, partly because, in the railway world at least, the economic man is not to be found, partly no doubt because the pressure of

positive legislation, to which I alluded earlier, and also of public opinion prevents railway managers from acting, even to the extent which they otherwise would, on economic grounds.

That the desire not to make, and still more not to seem to make, too conspicuous a contrast between through rates and local rates—a motive, which, if not purely ethical, is at least not economic—has also great weight, cannot I think be denied. Indeed one can easily find instances, though of a different kind, where economic motives cannot have had any share at all in governing the decision. Workmen's tickets for example, issued before say seven o'clock in the morning, used only to be available for return after five o'clock in the afternoon. The motive was obvious, in order namely that a class of non-workmen passengers, such as for instance suburban tradesmen going up to purchase their stock in the city markets, might not travel at the workmen's specially cheap fares. Representations were however made to the Companies that the result of the restriction was that a workman, who from wet weather or any other cause was prevented from working the entire day, was tempted to spend the time till his return ticket became available loafing in the public house. The whole of the London Companies have now, I believe, withdrawn the restriction accordingly, and workmen's tickets are available for return at any hour. In other words a reduction of rate has practically been made, the motive for which is purely ethical.

On the other hand, long distance and keenly competitive rates, especially for low class traffic, are really supply and demand rates. The recent stubbornly fought cases before the Railway Commission have shown the importance that both the Midland coal-owners and the Midland Railway Company attach to 2*d.* more or less in the rate from the Nottinghamshire coalfield to London. And naturally; for an added shilling would probably divert half the trade to South Wales and Northumberland with their sea access, while a shilling subtracted would probably cause the railway company, not indeed to abandon its existing trade, but to decide to spend no more money on its future development.

The conclusion of the whole matter is, I submit, as follows. Almost the whole railway expenditure is incurred on behalf of the traffic as a whole. Against the traffic as a whole the entire cost must be charged. The apportionment is, and ought to be, made as between the various items and categories of traffic on the basis of what each item or category can bear. The word "can" has however a very elastic signification. Sometimes it signifies "can pay and yet leave an advantage to the customer"; sometimes

“ will consent to pay rather than turn aside to a rival route ” ; sometimes “ has been wont to pay ” ; sometimes even “ ought morally to be asked to pay. ” Such is, I believe, a rough analysis of the motives which govern, and economically speaking ought to govern, the practical conduct of rate-making authorities. How far this analysis leads to any and if so to what conclusions as to how those authorities should be constituted and what power should be entrusted to them, is a question which, interesting and important as it is, is much too large and complicated to be raised here.

W. M. ACWORTH

THE ELBERFELD AND ENGLISH POOR LAW SYSTEMS: A COMPARISON.¹

THE Elberfeld system of poor law relief has many admirers, and its introduction into the English poor law system has been often advocated, especially by those who look upon the "workhouse" as a played-out institution, and the "workhouse test" as a farce.

These latter critics apply the epithets of "harsh" and "cruel" to our poor law, and assert not only that it has a pauperising tendency, but also that it is extravagant. They consequently recommend that "outdoor relief" should take the place of the workhouse, and naturally enough turn their eyes to a system of which that institution, theoretically at least, forms no part, and under which the State relieves "poverty" as well as "destitution" in money or kind at the house of the applicant. But they are apt to forget the following important facts: (1) That the conditions of obtaining relief are, even under the Elberfeld system, "harsh and oppressively rigorous"; (2) that consequently its introduction was followed by the same clamour of the pauperised masses, and the same dissatisfaction among the philanthropic distributors of other people's money that attended the passing of the "new poor law"; (3) that the system can only be properly worked in towns of moderate size, and not at all in country districts; and last, but not least, (4) that England is not Germany.

As regards the first point, this is what Mr. Doyle, who reported on the system in 1871, says:—

'The applicant for relief is subjected to an examination so close and searching, so absolutely inquisitorial, that no man who could possibly escape from it would submit to it. He is not one of several hundreds who can tell his own

¹ In converting German money into its English equivalent, the *mark* and the *shilling* have been taken as of the same value.

story to an overworked relieving officer, but one of a very few, never exceeding four—frequently the single applicant—who is bound by law to answer every one of that long string of questions that his interrogator is bound by law to put to him.

“One of the peculiar merits claimed, and I believe rightly claimed, for this system, is that before a man can obtain relief it must be shown that he cannot exist without it. When an application is made for relief, the applicant is, in the first instance, bound to state whether he has a settlement in Elberfeld, that is, whether he has resided in it without receiving relief for a period of twelve months, how long he has resided in it, where he resided before, whether he reported himself to the police and obtained permission to reside, or whether he has resided without permission; he is bound to give, with his own name, the name of every member of his family, the day, month, and year of the birth of each, his religious profession, his birthplace, and how long his family resided there, the street or district in which he lives, the number of his house and the name of his landlord, the description of his dwelling and the yearly rent, the state of health of each member of his family, his occupation, the name of his employer, his average weekly earnings, proved, if possible, by a voucher; he must declare whether the family leads a moral and honest life, specify which of the members does not, whether or not the children are sent to school, and where; the name, dwelling, business, and circumstances of surviving parents, parents-in-law, and grand-parents, as well as of the children not living with the head of the family. In addition to this information, which the applicant is bound to give, the visitor is to ascertain, as far as he can, and report ‘the causes of the pauperism of the applicant.’ Be it observed that this is not a merely nominal or superficial inquiry in which the applicant has no difficulty in palming off some plausible story of distress and the causes of it, but is what it professes to be, a strict investigation into the circumstances of the man’s life and present position. When the case is satisfactorily proved to be one in which the applicant is entitled to relief, he gets it to such an amount only as will furnish the bare necessities of existence for himself and his family; it is given to him from week to week in money or in kind as may be thought most advisable; if articles of furniture or clothing are given, the visitor must satisfy himself from time to time that they are not pawned or sold. If a member of the family is buried at the public cost, and any of the family follow the hearse ‘in a coach,’ the fact is assumed as evidence of ability to repay, and one thaler (3s.), is exacted for the use of the hearse: ‘No carriage or carriages are to follow the poorhouse hearse, as this would prove that the relations of the deceased were able to spend money, and prove that they had obtained the use of the hearse under false pretences.’ The applicant having established his claim and being allowed weekly relief, is constantly ‘looked up’ by the visitor; every change, however minute, in his own condition or in that of his family is noted and reported. The pauper is, in fact, kept under constant *surveillance*; he is urged to find work, and if he cannot find it, labour is provided for him.

“It rarely happens, however, that the town is compelled to find work for individual cases; the conditions of relief are found to be sufficiently stringent to induce a man, if he can work, and if work is to be found, to find it for himself, if not in Elberfeld, elsewhere, for the circulation of labour is now sufficiently free, and the law of settlement sufficiently liberal. . . . In the event of any large number of persons being out of work and requiring relief, some public work, generally the making or improving of a road, is at once undertaken. . . . The giving of relief is still further fenced round by minute regulations, such as the keeping of a wages book (*Verdienstbuch*) by the pauper, the particulars of

wages, &c., to be entered by the employer, all framed with a view to discourage applications save under circumstances of absolute necessity."¹

But it is not my object in this article to go fully into the advantages and disadvantages attaching to each system. That has already been done in the very able Report of Mr. Doyle, from which the above quotation has been made, and in the later Reports of Mr. J. S. Davy, Mr. C. S. Loch, and Mr. A. F. Hanewinkel, which have been published together in a separate Blue Book.² I shall limit myself to endeavouring to show that, whatever other advantages the Elberfeld system may have over ours, it cannot claim either to reduce pauperism and expenditure on relief, or to replace charity. For my special purpose I have selected two cities, one in England and the other in Germany, where the administration of the poor law under each system is seen at its best. These two cities are Dresden and Birmingham.

Another reason for my selection is that in both cities the reformed administration of the poor law dates from nearly the same time. The Elberfeld system was introduced into Dresden in 1880, and the Birmingham Guardians about the same time inaugurated a new policy of restricted outdoor relief after their bitter experiences of the winter of 1879, although their outdoor relief regulations did not come into operation until 1884.

Dresden contains a considerably larger population (estimated at 323,950 at the end of 1895) than the parish of Birmingham (245,503 in April 1891).³ Taking into account the different standards of living, there is no reason to suppose that there is more poverty in the one city than in the other.

Before considering statistical results, I will quite shortly point out the main differences in the poor law administration of each city under the two systems.

In Birmingham, as in other unions and parishes, the Board of Guardians has the sole control of poor law relief, and raises the necessary funds by means of a poor's rate. It employs paid relieving officers to receive applications for relief, to make all the necessary inquiries, and to carry out its orders.⁴ There is also

¹ *First Report of Local Government Board*, Appendix, pp. 253, 254.

² Reports on the Elberfeld Poor Law System, 1888.

³ The population of the Parliamentary Borough of Birmingham was 478,113 in 1891.

⁴ It is not generally understood that, where a relieving officer knows that an order given to him by a Board of Guardians is illegal, he is not under any obligation, and indeed ought not, to carry it out.

a superintendent of out-relief and a cross-visitor who makes independent inquiries under the direction of the superintendent. The Board decides, subject to the poor law orders, how a case shall be relieved, and if outdoor relief be ordered it is given through the relieving officers.

In Dresden, the *Armenamt* (office for the relief of the poor) is under the control of a committee of the *Rath* (city council), the chairman of which receives a large salary for his services. No special poor-rate is raised; but the committee has to give each year to the *Rath* an account of its income and expenditure during the past year, and also an estimate of its expenditure for the coming year. Any deficiency is made good from the *Stadtkasse* (city treasury).¹

The city is (December 31st, 1895) divided into fifty poor law districts, and in each district there is a *Pflegerverein*, consisting of from six to fifteen *Pfleger* (almoners), the number of each *Verein* being fixed by the committee, so that, as far as possible, there shall not be more than ten outdoor pauper cases to each *Pfleger*. These almoners are selected half by the *Stadtrath* (aldermen), and half by the *Stadtverordneten* (common councillors). They must serve for three years, and are liable to fines of from 15s. to £15 in case of refusal to serve the office for no valid reason. Each *Pflegerverein* elects its own *Obmann* (president), and is responsible for the relief of the poor within its own district. Its meetings are convened by the *Obmann* as often as may be necessary, and are generally held at his house.

Practically an almoner performs the same duties as the English relieving officer, the necessary relief moneys being paid to the *Obmann* from the *Armenamt*, and he in turn gives each almoner what is necessary for the relief of the case under the charge of the latter.

The decisions of the *Pflegervereine*, both as to the mode and the amount of the relief, must be approved by the central committee before they can take effect, although they are generally accepted; but the *Obmann* has power to give interim relief up to a limited amount in cases of urgency.

¹ The *Armenamt* is very richly endowed as the present holder of all property which was held by the Church in old times for the benefit of the poor of Dresden. In 1893 the income from these endowments, and from other gifts, legacies, &c., amounted to no less a sum than £34,000. As the expenditure on poor relief during that year was some £64,000, the deficiency paid by the *Stadtrath* amounted to £30,000. But I have, of course, in comparing the figures of expenditure on poor relief in the two cities disregarded the various sources of income, and merely considered the sums spent on relief.

Uniformity of practice in the different *Pflegervereine* is secured by precise instructions from the committee, similar to our own poor law orders. Shortly put, each *Pflegerverein* is an independent board of guardians, constituted of a number of unsalaried relieving officers, and working under certain fixed rules laid down by the central poor law authority of the city.

I will now proceed to show the statistical results of the two systems both in amount of pauperism and expenditure on relief. I will begin with Birmingham. Table I. gives the number of indoor and outdoor paupers relieved on the 1st of January every year from 1880 to 1897, distinguishing the number of lunatics and vagrants, and giving the number of children (other than lunatics and imbeciles) dependent on parents receiving outdoor relief.

TABLE I.

Year. 1st January	Indoor Pauperism.				Outdoor Pauperism.			Grand Total of Indoor and Outdoor Paupers.	Children (other than Lunatics) dependent on parents receiving Outdoor Relief.
	Paupers other than Lunatics and Vagrants.	Lunatics.	Vagrants.	Total.	Paupers other than Lunatics.	Lunatics.	Total.		
1880	2,641	306	32	2,979	8,433	921	9,354	12,333	4,783
1881	2,486	370	24	2,880	4,475	962	5,437	8,317	2,378
1882	2,172	310	15	2,497	4,647	941	5,588	8,085	2,491
1883	2,223	301	26	2,550	4,632	952	5,584	8,134	2,471
1884	2,340	303	29	2,672	4,364	879	5,243	7,915	2,292
1885	2,730	313	16	3,059	3,790	800	4,590	7,649	1,863
1886	2,786	242	18	3,046	3,505	896	4,401	7,447	1,763
1887	2,856	302	18	3,176	3,103	905	4,008	7,184	1,543
1888	2,823	324	8	3,155	2,370	923	3,293	6,453	1,230
1889	2,803	313	19	3,135	1,872	913	2,785	5,920	898
1890	2,693	320	24	3,037	1,289	825	2,114	5,151	536
1891	2,745	314	29	3,088	1,197	829	2,026	5,114	543
1892	2,619	324	60	3,003	923	804	1,727	4,730	432
1893	2,783	234	56	3,073	771	856	1,627	4,700	353
1894	2,965	160	34	3,159	830	880	1,710	4,869	427
1895	2,879	140	70	3,089	841	915	1,756	4,845	436
1896	2,713	148	77	2,938	1,110	941	2,051	4,989	581
1897	2,588	144	99	2,831	943	944	1,887	4,718	435

Now the population of the Birmingham Union decreased slightly from 246,352 in 1881 to 245,503 in 1891, while its rateable value increased from £959,921 at Lady Day 1879 to £1,272,297 at Lady Day 1896. Doubtless the decrease of pauperism is to some extent to be accounted for by this decrease of population, which is partly owing to the clearance of poor property carried out under the Artisans Dwelling Acts. But it is equally clear that the main cause of the decrease has been the weeding out of improper cases by a system of careful inquiry, and the adherence

to the outdoor relief regulations.¹ The decrease in indoor pauperism, especially when the numbers of lunatics and vagrants are excluded, is very marked, and shows clearly how a discriminate administration of outdoor relief does not drive the poor into the workhouse. The reduction in *child* outdoor pauperism is still more satisfactory, while the average number of children educated in the admirably managed Marston Green cottage homes only increased from 318 in 1881, to 333 in 1895.

Table II. shows the expenditure on relief for every year since 1879.

TABLE II.

Year ended Lady Day.	In main-tenance.	Out Relief.	Luna-tics.	Workhouse Loans and Interest repaid.	Salaries of Officers, &c.	Other Ex-penses.	Total.	Rateable Value at Lady Day.	Rate in the £ to cover expen-diture.	Cost of Relief per Head of Popula-tion.
	£	£	£	£	£	£	£	£	s. d.	s.
1880	26,821	23,981	14,829	4,198	13,693	19,877	103,399	959,021	2 1 84	...
1881	27,653	17,322	15,032	4,794	14,425	14,016	93,242	984,088	1 10 70	7 56
1882	23, 08	16,264	15,245	5,873	14,259	12,029	87,188	991,445	1 9 09	...
1883	25,055	16,170	15,365	6,396	14,616	12,188	89,796	1,001,541	1 9 51	...
1884	21,309	15,107	15,821	7,980	14,964	16,377	93,588	1,013,616	1 10 15	...
1885	25,509	13,571	17,915	8,220	16,536	10,987	92,729	1,066,692	1 8 86	...
1886	24,507	11,753	21,190	8,177	16,593	12,623	94,903	1,079,256	1 9 10	...
1887	26,098	10,283	19,747	8,926	15,665	14,183	94,902	1,191,630	1 7 11	...
1888	25,773	8,218	20,138	8,794	15,701	12,195	90,819	1,192,779	1 6 25	...
1889	25,237	6,697	20,547	2,486	16,497	13,331	94,795	1,199,743	1 6 96	...
1890	27,214	5,194	19,568	13,159	19,354	6,593	91,082	1,207,868	1 6 09	...
1891	26,768	4,349	18,991	13,724	20,897	2,975	87,704	1,216,139	1 5 30	7 14
1892	26,214	3,520	18,951	13,646	24,743	3,361	90,435	1,226,885	1 5 69	...
1893	26,421	2,670	19,247	14,154	25,650	13,081	101,223	1,255,420	1 7 35	...
1894	26,887	2,610	20,275	14,171	26,794	12,327	103,064	1,272,257	1 7 44	...
1895	25,516	2,787	20,606	13,933	27,030	15,372	105,244	1,261,255	1 8 02	...
1896	25,723	3,498	21,459	14,162	27,271	15,984	108,097	1,272,297	1 8 39	...

Truly the ratepayers of Birmingham have no cause for complaint, nor, indeed, have the poor; for the great reduction in the cost of outdoor relief since 1879 has enabled the guardians to build and equip with the most modern improvements a splendid infirmary and cottage homes, and to provide an adequate and efficient staff of paid officials with not only no increase, but an actual reduction in the rates. At the same time outdoor relief, when granted, has been made more adequate to the requirements of each case.

¹ Since the coming into force of the Local Government Act, 1894, the outdoor relief regulations of the parish have been made somewhat less stringent, as a comparison of the original regulations of 1883 with the revised ones of 1895 will show. The guardians have shown a greater inclination to give outdoor relief in cases, which previously to 1895, would have been dealt with by an order for the "house." They have also raised the allowances to old people in receipt of outdoor relief. The consequence has been an increase of expenditure under this head, as Table II. shows. Table I., however, shows that the amount of outdoor pauperism was almost as small as in 1895. Strict inquiry before relief is still the rule.

I have shown, then, that our poor law as hitherto administered in Birmingham, has had the effect both of reducing pauperism and expenditure on relief. Can the same be said of the effect of the Elberfeld system in Dresden, admirably as it has been worked in that city? The answer must be in the negative, and this not only as regards outdoor but also indoor relief; for although under the Elberfeld system relief is given at the home wherever possible, there are of course many cases which can only be relieved in some institution.

Table III. gives the number of persons resident in Dresden who were receiving permanent outdoor relief (*Offene pflege*) on the last day of each of the years mentioned.

TABLE III.

Day and Year.	Persons Relieved.	Day and Year.	Persons Relieved.
Dec. 31, 1880	2,047	Dec. 31, 1888	2,517
" " 1881	2,107	" " 1889	2,563
" " 1882	2,158	" " 1890	2,644
" " 1883	2,229	" " 1891	2,744
" " 1884	2,304	" " 1892	2,800
" " 1885	2,391	" " 1892	2,910
" " 1886	2,484	" " 1894	2,985
" " 1887	2,544	" " 1895	2,914

As the population of Dresden increased from 220,583 in 1880, to 323,953 in 1895 (2nd December), it will be seen that permanent outdoor pauperism has increased in the same proportion. This should not, however, be the case under a thoroughly satisfactory poor law system. Indeed, an increase of population in any locality ought to carry with it a decrease of pauperism.

But the numbers given in the last table are not exhaustive, for outdoor relief is given in Dresden in other forms. (Table IV.) For purposes of comparison I will take the years 1890 and 1895.

The two tables show a considerable increase in the number of dependants on relief. In Birmingham, according to Mr. Ritchie's Return, 13,343 persons (excluding lunatics and vagrants) received relief either in or out of the workhouse during the year ended Lady Day, 1892. It is unfortunate that the difference in the modes of drawing up poor law statistics in England and Germany renders a comparison impossible, although it is evident that the pauperism of Dresden is much greater than that of Birmingham in proportion to population.

TABLE IV.

Numbers in receipt of outdoor relief in its various forms in Dresden in the years 1890 and 1895.

Kind of Relief.		1890.	1895.	Inc.	Dec.
(1) Permanent resident relief (on 31st December)	(a) Alms (<i>Almosen</i>)	1,897	2,154	2,914	270
	(b) Education of children (<i>Erziehung bei hilfen</i>)	565	570		
	(c) Children (<i>Stadtpflege</i>)	182	190		
(2) Permanent non-resident relief to children (during the year)	(a) <i>Stadtpflege</i>	79	115	302	49
	(b) <i>Auswärtige Pflege</i>	174	187		
		253			
(3) Extraordinary relief (<i>Ausserordentliche unterstützungen</i>) (during the year)		1,321	2,603	1,282	—
(4) Meals on "festival" occasions (<i>Armenspeisungen bei festlichen Gelegenheiten</i>) (during the year)		not stated	not stated	—	—
(5) Food tickets (<i>Speisemarken</i>) (during the year)		4,000	9,700	5,700	—
(6) Clothing, etc. (<i>Bekleidungsgegenstände Schuhwerk, u.s.w.</i>) (during the year)		2,367	not stated ¹	—	—
(7) Fuel (<i>Brennstoffe</i>) (average number during winter months)		2,138	2,443	305	—
(8) Relief of the sick (<i>Krankenpflege</i>) (during the year)		2,193	2,449	256	—
(9) Apprentices (<i>Lehrlinge</i>) (during the year)		132	107	—	25
(10) Putting out children to nurse (<i>Ziehkinderwesen</i>) (number on 31st December)		473	467	—	6
(11) Boarding-out (<i>Landpflege</i>) (during the year)		545	727	182	—
(12) Funerals (<i>Beerdigungen</i>) (during the year)		200	350	150	—
(13) Homeless and absolutely destitute persons ² (<i>Mittelloser und Obdachloser</i>) (during the year)		5,244	7,754	2,510	—

Perhaps the increase in the outdoor pauperism of Dresden is best exhibited by the next table, which shows the increase of expenditure upon outdoor relief. I shall take the same two years as before. (See Table V.)

I will now turn to the consideration of the indoor relief, for I am afraid our poor law reformers sometimes forget that, however much outdoor relief may be extended, there will always be cases

¹ The numbers in 1891, 1892 and 1893 were 2,304, 2,159 and 1,987 respectively.

² i.e., those for whom shelter and food have to be provided at the cost of the *Armenamt*. It is clear that the Elberfeld system helps in no way to reduce the number of vagrants.

which must necessarily be treated within the four walls of some or other institution, the cost of maintaining which must be paid for by the whole community.

TABLE V.
Gross expenditure on outdoor relief during the years 1890 and 1895.

Kind of Relief.	1890.	1895.	Inc.	Dec.
1. Permanent relief. (a) Alms	£12,024	£14,419	£2,395	—
(b) Education of children...	3,745	4,520	775	—
(c) Care of children...	1,920	2,008	88	—
2. Extraordinary relief	950	2,149	1,199	—
3. Meals on festival occasions	231	172	—	59
4. Food tickets	21	81	60	—
5. Clothing, &c.	683	588	—	95
6. Fuel	999	1,379	380	—
7. Relief of the sick.....	1,066	1,595	529	—
8. Apprenticing	265	218	—	47
9. Putting out children to nurse	90	123	33	—
10. Boarding-out	3,328	4,481	1,153	—
11. Funerals	157	258	101	—
12. Vagrants	not stated	not stated	—	—
Totals	£25,479	£31,991	£6,713	£201
Net increase	—	—	£6,512	

Some of these institutions, such as the *Versorghaus* (for old and infirm people), the *Kinderpfleganstalt* (for orphan and deserted children), the *Stadt Findelhaus* (for foundlings), and the *Arbeitsanstalt* (for ne'er-do-wells and the semi-criminal classes), are under the direct control of the Armenamt.

In other institutions which are under the direct control of the Stadtrath, such as the Hohenthal Haus (for aged and infirm women), the Krankenhaus (for the sick), and the Irren und Siechen Haus (for lunatics, imbeciles, epileptics, and incurables), the Armenamt merely pays the expenses of maintaining each pauper it sends to them.

The next two tables show that the expenditure on indoor relief increases in Dresden just as it does in a large town in England such as Birmingham, and that it does so in spite of the large increase in the number of outdoor paupers and in the expenditure on outdoor relief in the former city. (Tables VI. and VII.).

I will take the five most important institutions as examples.

Another complaint made against the English poor law system has regard to the large sum spent on salaries and rations of

TABLE VI.¹

Gross cost of three institutions under the Armenamt.

Institution.	1885.	1895.	Increase.
	£	£	£
Versorghaus	5,499	6,170	671
Kinderpfleganstalt	1,071	1,145	74
Arbeitsanstalt	7,440	9,425	1,985
Total cost.....	£14,010	£16,740	£2,730

TABLE VII.²

Cost of maintenance of paupers in two other institutions.

Institution.	1891.	1895.	Increase.
	£	£	£
Krankenhaus.....	1,562	2,595	1,033
Irren und Siechen Haus.....	8,943	12,039	3,096
Total cost.....	£10,505	£14,634	£4,129

officials. Table II. shows that in Birmingham the cost under this head has increased from £13,693 to £27,271 in seventeen years.³ But we find exactly the same thing happening under the Elberfeld system of outdoor relief, and the next table (Table VIII.) shows what the increase has been in Dresden since 1885 at the Armenamt itself, and in certain institutions under its control.

I am by no means finding fault with the administration of the poor law in Dresden on this account. I only wish to mark the fact that the number of officers and their salaries tend to increase under both the English and the German systems, and, indeed, such must be the case if the poor are to be treated as they should be.

¹ The year 1885 is the first year for which I have been able to get figures.

² I have been obliged to take the year 1891 on account of the change which was then made in drawing up the statistics in regard to the Irren und Siechen Haus.

³ There is a satisfactory explanation for this increase. In 1880 the children and the sick were all collected in one establishment, viz., the workhouse, whereas now there are three separate establishments, the workhouse, the Marston Green cottage houses for children, and a magnificent infirmary with accommodation for 1,600 patients. Each has its *separate* staff of officers, and trained attendants. The cost of salaries and rations for the year ended Lady Day, 1896, in the infirmary alone was £10,888, and in the Cottage Homes £2,724. The cost of the workhouse is about the same as it was in 1880.

TABLE VIII.
Cost of salaries of officials.

Institution.	1885.	1895.	Increase.
	£	£	£
Armenamt	2,180	4,235	2,055
Kinderpfleganstalt ¹	124	179	55
Versorghaus ¹	640	963	323
Arbeitsanstalt ¹	2,252	3,603	1,351
Total cost.....	£5,196	£8,980	£3,784

One more table and I shall have done with the Dresden statistics. This shows the total cost of poor law relief in Dresden for every year from 1880 to 1893.

TABLE IX.²

Year.	Cost of Relief.	Cost of Relief per Head of estimated Population.
	£	S.
1880	39,634	—
1881	40,596	—
1882	41,109	—
1883	41,655	—
1884	43,831	—
1885	43,316	—
1886	44,235	—
1887	45,783	—
1888	46,084	—
1889	46,697	—
1890	47,654	—
1891	59,749	4·38
1892	62,125	4·23
1893	64,166	4·25

We are now in a position to judge whether the English or the German system, under good administration, is most economical and produces the least pauperism, and I think that judgment will be given in favour of the former on both heads.

It may, of course, be urged in favour of the Elberfeld system that under it the poor suffer less. There is no evidence that I

¹ The figures in this table are included in those given in Table VI.

² The sudden rise noticeable in the year 1891 is due to a change in the mode of dividing the expense of the Irren und Siechen Haus between the Stadtrath and the Armenamt. Whereas the sum of M.6,103 (£305) is returned as paid by the Armenamt under this head in 1890, the corresponding items appear as M.178,857 (£8,943), M.189,583 (£9,479), and M.211,765 (£10,588) in the three succeeding years respectively. But even taking this fact in account, it will be seen that expenditure keeps steadily increasing.

know of to support the assertion. Indeed, if there were no suffering or distress in Dresden there would be no scope for charitable effort, but charity is at least as active there as in Birmingham.¹ The by no means small sum of M.1,186,923 (or say £59,346) is *officially* returned as having been spent in 1895 by charitable societies and institutions, in addition to the sum expended by the Stadtrath, quite apart from the Armenamt, on State hospitals. The total expenditure under these heads exceeds £100,000 and is indicative of a considerable amount of poverty which remains untouched by the poor law.

It may, of course, be objected that I have taken two cities only, and that no general conclusion can be drawn from two isolated cases, and that possibly the Elberfeld system may not be applied so strictly in Dresden as in Elberfeld itself. But when I examine the statistics of the "model" town I again find pauperism and expenditure on relief steadily increasing. The following table gives the number of persons receiving permanent outdoor relief on the 31st of March, 1880 and 1891, the number of persons receiving medical relief and temporary assistance during the years ended the 31st March, 1880 and 1891, and the number of persons

TABLE X.
Elberfeld.²

Year.	Persons receiving per- manent outdoor relief on 31st March.	Persons receiving outdoor relief in other forms during year.	Persons receiving indoor relief on 31st March.	Cost of outdoor relief.	Cost of indoor relief.	Office expenses.	Total cost.	Population.	Cost per head of population.
1880	2,150	2,151	723	£ 9,655	£ 13,182	£ 629	£ 23,466	93,530	s. 5
1891	2,284	3,315	759	£ 12,975	£ 19,338	£ 982	£ 33,295	126,200	5·26
Increase	134	1,164	36	3,320	6,156	353	9,829	32,670	0·26

receiving *indoor* relief on the 31st of March of the same years, the cost of outdoor and indoor relief and office expenses during

¹ The only checks on applications for relief under the Elberfeld system are: (1) the disenfranchisement of the recipient of poor relief, and (2) the strictness of the inquiry which precedes the grant of relief.

² The figures exclude the *number* of lunatics and vagrants, but include the *cost* of their relief.

those years, the population, and the cost of relief per head of the population.

But still it may be objected that in Elberfeld population has increased, and that, therefore, it is not surprising that pauperism and expenditure on relief should have increased too. Now, while it is a well-known fact that an increase of population in a town need by no means be accompanied by an increase of pauperism, for the reason that the increase is in the number of able-bodied persons, and implies prosperity and briskness in trade, I will not content myself with this answer, but will take an English manufacturing town where the population has greatly increased since 1880, and give statistics similar to those given in the case of Elberfeld. The population of the Newcastle-on-Tyne Union increased from 150,121 in 1881 to 196,838 in 1891.

TABLE XI.
Newcastle-on-Tyne.¹

Year	Paupers relieved on 1st January.			Cost of relief during years ended Lady Day, 1880 and 1891.	Cost of relief per head of population.
	Outdoor.	Indoor.	Total.		
1880	2,080	861	2,941	£ 32,020	s. 4·26
1891	1,994	702	2,696	33,711	3·42
Increase	—	—	—	1,691	—
Decrease	86	159	245	—	·84

Thus, instead of (as in Elberfeld) a large increase of pauperism and expenditure, we find in Newcastle a considerable *decrease* of pauperism, and a very small increase of expenditure. In fact, in 1891 Newcastle, with a population more than one-third larger than that of Elberfeld, was spending almost exactly the same amount of money on poor relief, and at nearly 2s. less cost per head of population.

The conclusion, then, to which I am driven is that there is not much to be gained by introducing the Elberfeld system into our cities and towns; but in saying this I am far from denying certain advantages which the system seems to have over ours.

It may be a good thing that the *Pfleger* should be selected by the central authority, and not, like our guardians of the poor, be

¹ The figures exclude the *number* of lunatics and vagrants, but include the cost of their relief.

subject to popular election. They are ratepayers themselves, and are not likely to tax themselves to too great an extent.

On the other hand, the *Pfleger* are busy men, having their own affairs to look after; they are obliged to accept the office whether willing or not to do so; and consequently there is a risk that they may not perform their duties properly. This is not the case with our relieving officers, whose main business it is to look after the paupers committed to their charge, and who can be dismissed for any neglect of duty; and under a strong board of guardians, such as Birmingham is so fortunate to possess, a relieving officer is kept on his mettle.

There is another point, not depending on any particular system, which is very well attended to in Dresden: the closest co-operation exists between the *Armenamt* and the charitable agencies; indeed, this co-operation is one of legal obligation. One need not, however, travel to Germany to see how this is effected. A visit to Whitechapel will suffice.

To conclude. In order fairly to judge what our poor law is capable of, those Unions should be visited where it has been administered most in accordance with the principles laid down by the Commissioners of 1834. These principles are applicable to every class of Union, and when followed have always produced the same beneficial results. Without converting the workhouse into an almshouse, and without in the least detracting from its deterrent effect, much can be done to make it clean and cheerful, to improve the nursing of the sick and infirm, and to give more occupation and interests to its inmates. Mr. J. S. Davy expresses this very well in his evidence before the Aged Poor Commission (Report, pp. 101, 111). Fortunately, while politicians—many of whom may never have visited a well-arranged workhouse—are declaiming against these institutions, and wildly advocating their abolition, many earnest men and women with a practical knowledge of our Poor Law are working quietly and unostentatiously with the object of bringing them up to the right standard. This seems to me to be the direction which reform should take—no fresh legislation is wanted—and the path is free from the dangers which experience has taught are inherent in any policy leading to an extension of outdoor relief.

W. CHANCE

WHOLESALE AND RETAIL PRICES

So far as I have been able to ascertain, there are no instances of constant and definite relation between wholesale and retail prices; and in most cases, if not always, the fluctuations are greater in wholesale than in retail prices. The fluctuations in wholesale prices have probably increased in frequency with the facilities for rapid carriage and rapidly conveyed intelligence by telegraph and telephone, but have been kept within a narrower range. If all trade were free and all dealers solvent and sufficiently wealthy for the purposes of their trade, fluctuations would be reduced to a minimum, but they would by no means cease, so long as buyers and sellers differed in business ability, mental constitution and social habit, qualities which enter into and influence prices to a degree greater than might at first be thought possible.

One would expect to find the relation between wholesale and retail prices much nearer uniformity in those articles of commerce which are prime necessities of life, such as bread, meat, fuel, clothes, than in the case of other articles, because of the universal interest in their cost and the greater publicity of their wholesale prices arising from such interest. In the case of wheat, there is probably as near an approach to uniform relation in its wholesale price to the retail price of bread as in the case of any article of general consumption. The variations in this relation are those chiefly which are common to almost every case, such as skill in buying, command of capital and tricks of trade within very limited range. One reason of this comparative uniformity is the small amount of credit given in the retail of bread and the absence of any considerable variety in quality not easily detected. Of course there is variety, but retail price follows the quality pretty closely.

Goods rapidly perishable afford good examples of pretty uniform ratio of wholesale to retail prices. Rapid sale is imperative; supplies are governed largely by conditions of weather, and competition has generally free play. Fruit, table vegetables, eggs, and especially fish, are examples which will occur to every one.

Discrepancies between demand and supply will modify the relation of price in this, as in all cases ; the perishable character of the articles too fixes a sudden limit to the demand, whilst it does not materially or so readily affect the supply ;—the lowest price does not tempt the purchaser to buy more than he can immediately use.

Some less perishable articles of food such as bacon, butter, cheese, appear to be subject to constant variations in wholesale price, whilst the retail prices remain steady. In these cases there is no excessive variation either in the demand or the supply over such periods as the goods can be safely kept, at any rate in the case of bacon and cheese ; and the fluctuations in wholesale price appear to arise from the partial union or the competition of wholesale dealers.

The relation of wholesale to retail price of butcher's meat is more complex. The whole carcass of ox, sheep or pig is bought at a price per stone, according to quality and market fluctuations—which are considerable. The retail prices are much steadier, though subject to fluctuation as regards particular joints : for example, in winter the price of those inferior parts usually eaten boiled are sold for prices little below those of prime joints, whilst in the summer they sell for little over half the price of prime joints. But the more important variations in price depend upon the skill of the butcher in gauging the means and disposition of his customers. This is of course not a peculiarity of butchers, but in so prime an article of consumption as meat it is remarkable that so much laxity in fixing the relation of wholesale to retail prices should prevail and should have been tolerated for generations. It seems quite a rare thing for a butcher to sell his joints at fixed prices even to people paying ready money ; and it is, I am told, common to charge various prices to customers taking credit, without so much regard to the safety of the account as to the disposition of the buyer. The variations are widest where the butcher's customers differ most in social status. Where they are mostly wealthy, charges can be made high enough to include a good rate of interest on the account ; but even in such cases there are variations arising from the disposition of the customers. Where the customers differ much in social status, meat of varying quality can be sold, but the same kind of variations are common throughout. In the poorest markets the fierce and more public competition of retailers forces down prices and leaves room only for the trifling variation determined by higgling.

In so common an article as salt, which is not easily perishable and of which there is no natural scarcity, one would look for

something like uniformity in price both actual and relative. What variation there is in the wholesale price seems to be the result generally of the action of "rings" of wholesale dealers. In retail price there is much variation, bars of 17 lbs. being retailed at prices varying from $3\frac{1}{2}d.$ to $6d.$ per bar. Small quantities are sold at from about $\frac{1}{4}d.$ to a penny per pound. The wholesale price is now 34s. per ton, or about five pounds per penny. Salt is but rarely weighed, and one of the tricks of the trade is to make bars of about 24 lbs. for 28 lbs. bars to assist cutting dealers.

The influence of advertising upon retail prices is very remarkable. The subjective result of advertising is a form of insanity to which perhaps we are all more or less liable, and is seen as certainly in subscriptions to a memorial of Sacheverell in Southwark Cathedral as in the purchase of twopennyworth of pills for 1s. $1\frac{1}{2}d.$

The master soap-makers of London have a trade-union and meet periodically to determine uniform rise or fall in prices to retail dealers. The prices among themselves are not uniform, but were determined by competition before the formation of the union—the variations being maintained by reputation, disposition to give credit, or quality of goods.

The present price at which one of these firms is selling best yellow soap to retailers is £17 per ton net, which works out at $7\frac{7}{8}$ farthings per pound, or within a fraction of $5\frac{1}{2}d.$ per three-pound bar. A few linen-drapers and grocers are selling this soap at $5\frac{1}{2}d.$ per bar, as a bait to catch customers for other articles bearing a profit. Leaving these unscrupulous dealers out of consideration, ordinary retailers are selling at $6d.$, $6\frac{1}{2}d.$, $7d.$, $7\frac{1}{2}d.$, $8d.$, and $8\frac{1}{2}d.$ per bar. In small quantities it is sold at $2d.$, $2\frac{1}{2}d.$, $3d.$, $3\frac{1}{2}d.$, and $4d.$ per pound.

Some soap-maker, having hit upon the device of cutting up the three pounds into single pounds for the convenience of the retailer, the practice was followed by others, and large quantities were sold at from $2d.$ to $3d.$ per pound bar. An advertising firm met this by putting the smaller pieces into a wrapper, to give them the respectability lacking in the naked bar or the plebeian pieces. The cover lent itself to the purposes of the advertiser; but the advertiser must, by fair or foul means, get a larger profit than the fair dealer who does not advertise. If the stimulus of monstrous and unscrupulous advertising is only made sufficiently exciting, the advertiser can venture to do things which would excite the envy or perhaps even prick the conscience of the

ordinary tradesman. If the public persistently demand a particular quack medicine or a particular maker's soap, it is imperative on the dealer's part to supply the demand. The wrapped bars were made up to resemble the ordinary pound bars, but weighed only 12 ounces, and were not of course called pound bars. The bait took with the public. The dealer was charged a rather higher price for 12-ounce bars than he paid for the pound bars of other makers; but he had to supply the demand. The advertising firm stipulated that the 12-ounce bars were not to be sold for less than $2\frac{1}{2}d.$ each, some compensation being offered for the lower profit in the shape of a bonus on the disposal of a minimum quantity in a given time. The private purchaser is thus charged $3\frac{1}{2}d.$ per pound or $10d.$ per three pounds, for soap procurable at 30 per cent. less by ordinary dealing, but without the stimulus furnished by the advertiser. Other firms followed suit with 12-ounce bars at a lower price, but the advertiser had the start, and all kinds of mania subside slowly.

The practice of stipulating with retail dealers that an article shall be sold at or above a given price is not uncommon with wholesale dealers in the case of commodities commanding a certain sale—the effect generally of exorbitant advertising. A particular brand of whisky for example is sold to the retailers at $2s. 9d.$ per bottle, with the covenant that they shall not sell it for less than $3s. 6d.$ per bottle; whilst another brand sold wholesale at the same price but with no such agreement is retailed at prices varying from $2s. 10d.$ to $3s. 6d.$ per bottle. Here the dealer's cupidity is made to assist the whisky drinker's insanity.

The skill of the retailer in hitting the taste of his customers will sometimes govern the price at which he can sell his goods. In the case of the two stimulants, whisky and tea, they are, as sold, mostly blends from different distilleries or of different growths. The blending in both cases is now generally done by the wholesale dealer, but not always. Here the profit includes wages for skill in blending, but the skill may cover a kind of fraud. The dealer sometimes finds that a low-priced article of peculiar flavour and perhaps of deleterious character is relished by a particular set of customers, and that he can charge them a relatively high price for such an article; and unless some neighbour gets to know his trade secret and undersells him, he will continue to benefit by the bad taste and ignorance of his customers.

Sometimes the introduction of articles of foreign make will show excessive variations in their wholesale price until prejudice is

overcome and similar articles of home manufacture are supplanted. A dealer in china and glass showed me three quotations for a German-made ale-glass, by different agents of different makers,—the glasses being very much alike. The price for a glass made in England of the same shape and size but of better quality—quality not however counting for much in the greater part of the demand for that particular article,—was 30s. per gross. The German quotations were respectively 15s., 12s., and 10s. 6d. per gross.

In ironmongery there appears to be an astonishing lack of uniformity in retail prices. The wholesale prices are governed by an ever shifting scale of discounts from prices fixed at long intervals. The rate of discount appears to be adjusted by the wholesale dealer by competition, length of credit given, and risk according to his own judgment. The retailer appears to make the best of his goods, and is only affected in the sale of articles in large demand by competition. As an experiment I sent to four shops in the same neighbourhood, for such articles as screws, nuts, nails and common tools, and found the prices charged different in each case.

The same remarks apply to the retail prices charged by chemists. Each chemist is "a law unto himself" as to the prices charged for common medicines, and, indeed, for most of the drugs which he sells.

Perhaps there is no article of general consumption in the sale of which economic friction is better illustrated than in that of coal. On the face of it, one would think that the relation of wholesale to retail prices might be constant. As regards land-borne house coal there is a working understanding between the coalowners and the London merchants, that when retail prices advance 1s. per ton, the colliery prices are to go up 6d. per ton. That looks as if every advance of 1s. per ton would put 6d. per ton extra profit in the pocket of the coal merchant. That would not be quite the case under any circumstances, but it might come very near to it. The cost of screening increases with every advance in price, because of the limited demand for the small coal, and its decrease in value with its increase in quantity. A small dealer getting the advanced price for all his coal, would however benefit to the extent of an extra 4d. per ton or thereabouts with every rise of 1s. on the retail price. But such instances are of little importance to the general trade or to the colliery proprietors. A very large proportion of the trade of London is done by merchants whose practice it is to compete for contracts for the delivery of

coal over long periods at fixed prices; and with every advance of the colliery price, their profits diminish on these contracts. What happens therefore is this: the general public buying in comparatively small quantities helps to pay in enhanced prices for the smaller profit on the orders of the large consumers. It may be thought that the merchant can guard himself against loss by making time or quantity contracts with colliery owners; and this of course he does. But the chances of weather and excessive demand enter largely into the possibilities of delivery by land and still more by water, whilst the same disposition to make the best of a bargain is present alike with coalowners and retailers. When hard pressed therefore the retailer has, at any price, to meet demand from unusual sources.

In the case of sea-borne coal, fluctuations in wholesale price are much greater than in land-borne coal,—one reason being the dependence of the supply upon weather conditions at all times of the year, and upon the competition of foreign trade, which also affects the rate of freight—a form of competition absent of course in land-borne coal. I have known the wholesale or market price of sea-borne coal to vary as much as 2s. per ton, whilst retail prices have remained steady. The retail prices are determined by the combined influence of the wholesale prices both of land-borne and sea-borne coal, land-borne coal being for retail purposes much the larger in quantity and steadier in value; the sea-borne price has much less influence upon the general selling price, and fluctuations in the sea-borne price may take place even to a greater extent than that I have named without materially affecting the retail price.

One of the peculiarities of wholesale prices of sea-borne house-coal from the north-eastern ports of England is, that they are still subject to deductions for reasons which were cogent when coal was sold by the score of chaldrons, but which have no relevancy now; and still other deductions which were made on the first introduction of steam colliers to induce merchants to clear the vessels rapidly, but which have no longer any such meaning.

Mr. Lecky, in his *Democracy and Liberty*, points out how remissions of indirect taxes often stick by the way in the pockets of traders. A capital illustration of his remark was afforded by the remission of the London coal dues. When these dues were abolished people naturally looked for an immediate reduction of 1s. per ton in the price of coal, but as a rule nothing of the kind took place. The dues were taken off at a definite time known

long beforehand. London is a most important market, but it is not the coalowners' only market by any means. Trade was brisk all over England and the Continent. To take full advantage of the remission, merchants in London lowered their stocks, but the coalowners felt little or no inconvenience from the temporary lull in the London demand. They filled up their customers' stores elsewhere at good prices, the general condition of trade allowing this to be easily done. Immediately after the remission, stocks being low, the London demand became abnormally brisk, and up went the price. It was only coal waiting to enter the port of London and remainders of contracts therefore that were affected by the remission of the duty. Had the remission come about at a time of very depressed trade, the result would of course have been different. Stocks could not have been so easily lowered in London, and other markets would not have afforded the same relief to the coalowners.

A very marked effect upon retail prices has been seen of late years to result from the increasing tendency to invest large amounts of capital in businesses hitherto left to comparatively small dealers. The custom is American in its origin, but it was stimulated in England by the co-operative movement—a movement which has only shown any large amount of success as retail or distributing agencies in those cases where the stores have been established on a large scale with comparatively wealthy and educated men to supply the capital required and direct the management in the name of co-operation, but really as joint-stock proprietors of American stores. The smaller distributing stores meet with much the same fate as small businesses; for whatever advantages they may have over tradesmen in starting with an assured number of interested customers is more than counterbalanced by the extra difficulties of divided and generally less competent management. The result to the public has been beneficial inasmuch as it has been a lessening of the cost of distribution and some better adjustment of the relation of retail to wholesale prices—a result marked chiefly however in articles of luxury. Retail prices of articles in daily demand have, I believe, been very little affected. It may be that in the not very distant future the word "co-operative" will be dropped, or will quite lose its meaning in relation to large distributing businesses.

In conclusion, the relation of retail to wholesale prices is of course definite within certain limits. The retailer cannot sell below cost price and generally speaking he will not be able to obtain much higher prices than are customary in his trade in his

own neighbourhood for any length of time. But the variations of retail prices are wider, even in articles of prime necessity, than might be at first supposed, and these arise from a variety of causes illustrating the influence of social customs and human passions in modifying economic acts. The social grade of customers, real or imagined, status of neighbourhood, rent, artistic display, the art of advertising, ability to judge the disposition of customers, effrontery, cunning, fraud, all enter at times into the determination of prices charged.

The academic contempt for traders is justified by the necessary effect of the continuous exercise of cunning upon the character; but in the pressure of competition, where cunning is almost as necessary for self-preservation in the trading man as it is in the fox, the quality must be recognised as essential, and we should guard ourselves against giving it too great relative importance, existing as it often does in the same man along with higher qualities exercised in other than the trading relationships of life. We must remember too that the same quality is present in the higher and more important branches of trade. The banker's profession is perhaps the highest form of industrial occupation, but in asking the current rate of interest on undoubted security and getting it, because the borrower is ignorant of the fact that the same banker is lending where pressed by competition, at a lower rate, the banker is really doing what the butcher and the grocer and the coal merchant do under similar circumstances. "As a nail sticketh fast between the joinings of the stones, so doth sin stick close between buying and selling," says Jesus, son of Sirach. It is only a question of degree varying from fair industrial wariness to palpable fraud. And though a very definite line might be drawn between acts allowable and not allowable according to high ethical standard, when the rule came to be applied to the actual conduct of business it would be found that casuistry would have to be resorted to to an extent that would make the line of no absolute but only of relative value. This is not defending the crooked ways of trade—far from it. But the complexity of man's nature and of society must be acknowledged and allowed for in any cool judgment of the necessities and expediences of industrial action.

ROBERT NEWMAN

THE INSURANCE OF INDUSTRIAL RISKS¹

It was the House of Commons that fathered Sir Robert Peel's famous question, "What is a pound?" And after reading the debates on Mr. Chamberlain's Compensation Bill one feels tempted to ask, "What is an accident?" The natural answer is, something which happens accidentally: and reference to Mr. Webster discloses that an accident is "an undesigned and unforeseen occurrence of an afflictive character." Yet such phrases as "Accidents due to the neglect of the employer," "Accidents caused by the wilful misconduct of the workmen," have been freely tossed to and fro across the floor of the House of Commons, with a fine disregard for Mr. Webster. The fact is that logically speaking the chain of responsibility, as between employer and employed, stretches from murder on the one side to suicide on the other. Suppose that Lord Penrhyn in a moment of irritation could have brought himself to shoot one of his quarrymen in the head, or had negligently omitted to put a proper staging round a shaft in the hope that a truck would tumble down it and extinguish a few of the more turbulent spirits, he would have been guilty in either case of murder or manslaughter at the least.² To a lesser extent an employer is liable in criminal penalties for breaches of the Factory and Workshops Act and similar preventive legislation.

At the opposite pole of responsibility come cases of suicide, self-murder, injury wilfully inflicted by the workman on himself. In the first case the responsibility of the employer stands at the maximum, that of the employé is nil; in the latter the employé is alone to blame.

Again, an employer may be neglectful and yet not bring himself within the pale of the criminal law³; a workman may be

¹ Being the substance of a lecture delivered at the London School of Economics, on Wednesday, July 7, 1897.

² See *R. v. Hughes*, D. and B. 248.

³ See *R. v. Noakes*, 4 F. and F. 920.

careless and yet not disentitle himself to all consideration; indeed, that very carelessness may itself be the result of industrial pressure.¹

If murder and suicide are the two poles in the sphere of responsibility, these two other cases constitute the temperate zones; while in the middle, on the equator, comes that large class of injuries, accidents properly so called, for which no human agency is responsible. It is these three classes of injuries, namely, injuries due to the employer's neglect, injuries due to the sufferer's own neglect, the neglect in each case being not of the most serious kind, and thirdly, pure accidents, that form the proper subject of compensation and constitute what is known on the Continent as the "*risque professionnel*"; the proper English equivalent term is not "accident" but "industrial injury."²

Now is this industrial risk a serious one? Does a man by engaging himself as a factory hand or a miner incur a greater peril of maiming or of death than does a hairdresser or a domestic servant?

In other words, do "accidents" happen, and if so, to what extent? On the answer to this question must depend the case for any special scheme of insuring the servant of industry. It is generally assumed that industrial undertakings do inflict serious bodily injuries, just as most people have a working belief that the world is round; yet it was only quite recently that a case,³ which now constitutes a leading case in the law of wagering, came before the courts, in which the plaintiff staked £500 that the world was flat; and it is by no means every one who is prepared to admit that the inherent peril of industrial undertakings is very high.

In Germany statistics are easily procurable: take for instance the Imperial Report⁴ for 1890, which gives the following figures after a careful summary and analysis of injuries occurring in the year 1887; the number of persons insured in that year was 3,861,560, and the number of notices of accident 106,001; in other words, one workman in every thirty-eight met, during the year, with death or a serious accident, and that as a direct result

¹ See, for instance, Mr. Costelloe's evidence before the Labour Commission.

² Bellom's definition:—"Tout événement qui survenu par le fait du travail entraîne une lésion de l'organisme," therefore seems too wide or too narrow; it would either include murder in the case just suggested, or exclude cases of contributory negligence.

³ *Hampden v. Walsh*, Q. B. D., 189.

⁴ See Schönberg's *Handbuch* II. No. xxii. pp. 737-748. Bellom, *Les lois d'assurance Ouvrière*, II. p. 613.

of his occupation ; the number of fatal accidents however was only 2,956, or rather more than two per cent. of the whole.¹

In England satisfactory figures are out of the question ; there is no uniform and compulsory system of notification of accidents, and comprehensive figures must be more or less guess work.

Returns are made by the Board of Trade, under no less than six Acts of Parliament, of accidents in the following industries, viz., factories and workshops, mines, quarries, shipping, railways, construction and repair of bridges, and in one or two miscellaneous cases under the Notification of Accidents Acts of 1894 ; omit seamen so as to get a comparison with the German figures ; and then the fatal accidents in these six industries for 1895 is given as 2,257, and of non-fatal injuries as 27,421, or a total of 29,678.

But these figures are obviously very inadequate, indeed they make no pretensions to be exact ; for instance, in the case of seamen there are no returns at all for the non-fatal injuries.²

When returns are made they are on different principles of classification ; the work is divided between the Board of Trade and the Home Office, and the returns do not cover anything like the whole ground.³ Accidents for instance to navvies, builders, carmen, and the large class of general labourers are not reported at all. Thus the only way in which comparison with the percentage of accidents recorded in Germany can be attained is by taking particular industries. In 1895 there were 465,112 persons employed on railways in the United Kingdom, and of these 7,969, or about one in every sixty-one, met with a serious or fatal accident during the year.

But perhaps the most interesting figures can be obtained from

¹ These figures take no account of agricultural insurance nor of sea insurance, which are constituted as separate systems, under the laws of May 5, 1886, and July 13, 1887.

Schönberg gives the proportion of injuries in some figures, which have often been quoted, as follows :—of 15,970 cases which fell on the employer in 1887. 3,156, or 19·76 per cent., were the fault of the employer ; 4,094, or 25·64 per cent., the fault of the employed ; 4·45 per cent. were the fault of both ; 3·28 per cent. were the fault of third persons, especially co-labourers, leaving 7,485, or 46·87 per cent., to be put down to pure accident.

² See *Abstract of Labour Statistics*, published by the Board of Trade, for 1895–6, p. 143.

³ At the meeting of the Central Association for dealing with distress caused by mining accidents, held at the Mansion House in July, 1896, a letter was read from Dr. Le Neve Foster, the well-known Government Inspector of Mines, in which he says :—“ Our figures represent such discordancies that special explanations become necessary. The present state of the law concerning the notification of accidents is unsatisfactory. The official statistics of non-fatal accidents will not be of much value until one clear and definite standard has been adopted.”

the census; let us take first of all the average of deaths due to violent causes in industrial and agricultural districts: the average rate of death from violence in agricultural counties like Essex or Wiltshire is about 0·74 per cent., in mining districts like Durham or South Wales it varies from 1·12 to 1·36 per cent., and if we look still more closely at one particular area, for instance, South Wales, we find it is in the mining centres like Pontypridd or Merthyr Tydfil that the rate is high, reaching in the former 1·30 per cent., in the latter 1·16 per cent.; while in the purely rural parts of the country, such as Builth or Aberystwith, the rate sinks to 0·40 per cent., at Rhayader to as low as 0·26 per cent.¹ Looking closer yet we discover that it is among the men that the real variation comes in, and the percentage in the cases of females remains fairly stationary alike in town and country, varying from 0·21 per cent. at Rhayader to 0·39 per cent. at Merthyr Tydfil; but at Merthyr the male percentage of violent deaths rises to 1·86 per cent., and in Pontypridd to 2·11 per cent., or from three to three and a half times as great as the male percentage in Builth or Aberystwith.

The head "violence" of course covers many cases such as murder and suicide which do not concern us. Still of deaths classified as violent about half can fairly be put down to industrial causes, and are so classified under the head of deaths connected with mines, quarries, vehicles, ships, building operations and machinery; in 1895 the total of deaths, male and female, from violence was 16,000, which on the division suggested would give a total of fatal industrial injuries at roughly, say, 7,000, or nearly double those tabulated by the Board of Trade.²

This then is the basis of the case for any special treatment of industry as a whole; the artizan or mechanic is like the soldier, both run a serious risk of death or horrid maiming, and that in the interests of others, of the community at large: the soldier has his pension, the industrial soldier should have his; the

¹ The rate for men alone in these three cases is 0·61, 0·66, and 0·31.

² Note also the statement of Mr. Sidney Holland at the recent annual dinner of the Poplar Hospital, which was founded to cope with the terrible accident roll at the docks, that the hospital receives an average of four accident cases an hour all the year round. See also figures given by Dr. Arlidge, *Diseases of Occupations*, p. 277: of 303 deaths tabulated in a given mine over a period of six years, thirty-nine, or nearly one in ten, were due to accident. It must not, however, be forgotten that many trades, where the accident rate is high, are in other respects healthy; the mortality figure for miners, for instance, is 891; this is of course higher than the figure for the healthiest occupations, such as gardeners or farmers, which is 644; but it is far below that of doctors, which is 1,122; musicians, which is 1,314; and hairdressers, which stands as high as 1,327. See Supplement to *Forty-fifth Annual Report of the Registrar-General*, 1885, p. 25.

employer can insure his buildings against destruction by fire, his machinery against depreciation, and the insurance forms a charge on the industry, one of the costs of production; why should not the workman insure the only instrument of production he possesses, namely, his life and limbs, against destruction by exploding fire-damp or unfenced machinery, from depreciation by lead poisoning or phossy jaw? And why should not such insurance constitute an incidental charge on the industries, payable eventually like the cost of fire insurance by the consumer?

This idea of a risk inherent in the industry, for which the industry should indemnify the sufferer, is only quite modern. Without going at length into the existing English law, it is sufficient that our law, like that of all the Continental systems, approached the subject from another standpoint altogether, viz., that of money damages payable by the master for a preventable wrong or tort.

The liability of every man to pay for injuries to others, wilfully caused or negligently permitted, is the great principle of the common law; and the master is liable to compensate his workman as much as any one else.

This simple principle in course of time received one very curious extension and two or three considerable limitations. Holt,¹ who was Lord Chief Justice at the end of the seventeenth century, established by a series of decisions the doctrine that a master is liable for all wrongs done by his servants in the course of their employment; whether the master had ordered the act, whether he was even cognisant of it, was immaterial. The wrong had been done, some one must pay, and the master was saddled with the liability.

The limitations adopted by the judges were mainly two. (1) Contributory negligence: if the workman was in fault as well as the master, and but for his own neglect no harm would have been done, then he got nothing. (2) Where the risk of injury was voluntarily undertaken beforehand the workman was not allowed to complain of his master's neglect and sue him: of this rational stock the doctrine of "common employment" is the illegitimate offspring; each workman is supposed to undertake the risk of acting jointly with every other workman; if injury happens to one workman by the negligence of a fellow-workman

¹ Up to Holt's time, the answer that the master did not know or approve the servant's act was a good defence; for an amusing case where, so early as 1290, one Bogo de Clare was sued for the unauthorised act of his servant in forcing a law officer to eat a citation see Pollock and Maitland, *History of English Law*, II. p. 532; and see generally, *Harvard Law Review*, VII. p. 384.

in the same undertaking, the master is not liable; had the former been a stranger he would have been.

The application of this doctrine of common employment has been restricted, though not abolished, by the Employer's Liability Act, 1880. Where there is defective plant, where a man acts under direct orders of an overseer, and in cases connected with railways, injuries caused by neglect of a fellow-workman do not deprive the sufferer of all right to recover compensation from the master.¹

Such is the law in England to-day: such with variations was the law all Europe over till within the last twenty years; during that period the new theory of insuring the industrial peril has swept over Europe like a wave, and England is one of the last countries to be submerged. Bismarck's anxiety to prove to the Socialists that his programme was a positive one, aided by the two pistol shots fired at the Emperor in the Unter den Linden in 1878, caused the introduction into the Reichstag of the first Insurance Bill in 1888, accompanied by a special benediction from the aged monarch.² Insurance legislation of some kind or other figures, or will soon figure, on the Statute Book of most European

¹ "Common employment" has of course been heartily abused, and Mr. Asquith's Bill of 1893 proposed to abolish it. Mr. Augustine Birrell said of it in Parliament, "Lord Abinger planted it, Baron Alderson watered it, and the devil gave it increase." The doctrine, unjust as it is, seems hardly worth all this fulminating. If the German figures go for anything, only 3·28 per cent. of accidents occurring can be put down to the fault of fellow-workmen (see Schönberg's figures, quoted above). The doctrine is quite recent; it was outlined in 1837 in *Priestley v. Fowler*, but not really enunciated till 1850 in the case of *Hutchinson v. Yorks Railway Co.*

It is generally assumed that the "half-hearted compromise" of 1880 has not been a success; from the County Court returns it appears that from 1881 to 1894 there were 2,590 actions tried under it, £400,000 claimed and £100,000 awarded, or an average of £41 13s.; for every £1 recovered probably £2 has been spent in law costs.

For further statistics see a paper read before the Society of Actuaries by Mr. Stanley Brown, the manager of an Employer's Liability Corporation, and cited by the *Daily Chronicle*; in 85 per cent. of cases insured the men made no claim at all, and in only 1·3 per cent. were they successful in litigation.

The Royal Commission reported that legal claims under the Act only answered where the injury was great and the workman was prepared to leave his master's service.

² The German trade insurance laws were passed July 6, 1884, March 28, 1885, July 11, 1887; the principle was extended to shipping by law of July 13, 1887, to agriculture May 5, 1886. Austria passed similar laws in 1887 and 1894. Switzerland has a wide employer's liability law of 1881 almost establishing general insurance; by the Norwegian law of July 23, 1894, the State undertakes the whole burden, but Norway is the only country that goes so far; France, Switzerland, Sweden, Denmark, Italy and Belgium have all had insurance legislation under discussion and bills drafted to that end. At present the law in France and Belgium rests on articles 1382-1384 of code Nap. Some interesting attempts have been made by the judges in Belgium to make insurance an implied term in the contract of hiring without any express legislative enactment, but without conspicuous success, I am told.

countries;¹ the variation of means is considerable, and end aimed at identical: to substitute an admitted claim for a disputed liability, a business arrangement for a battle in the courts; compensation is to be an inherent part of the contract of service, a term implied by the law; no longer a question of negligence but of risk, not of wrong doing but of actuarial calculation; to parody a famous saying, the history of industrial insurance is a history of the movement from tort to contract.

It will be impossible here to discuss the numerous points of interest in the foreign insurance legislation: our main concern is with Mr. Chamberlain's Bill, but as points of criticism arise, comparison will be necessary with the best known and most successful system, namely, the German one.

Mr. Chamberlain's Bill was introduced into the Commons on May 4 last, it was not immoderately mangled, indeed rather strengthened and improved in Committee save in one or two points. Lord Wemyss and the Liberty and Property Defence League have raged furiously but unavailingly against it in the Lords, and it received the Royal assent on August 6th. The first point about the Bill, and one of the most curious, is that it in no way affects the existing condition of things: the employer's liability at common law and under the Act of 1880 is in no way diminished. The new Bill simply gives the workman another remedy; he has two weapons of attack already, and this puts into his hands a third.² And a new system of procedure and a new method of adjusting claims by arbitration is set up as a rival establishment beside the common law judges and the County Court; that this severance of procedure at any rate is a proper arrangement cannot be doubted; the only question is whether the severance is carried sufficiently far.

The next point of importance is that the Bill only applies to a limited number of trades, those considered to be more dangerous, *i.e.*, railways, factories (including laundries but not workshops), mines, quarries, and engineering works.³ The Home Secretary,

¹ Or rather to speak absolutely accurately perhaps one should say quasi-contract; the new insurance is not a term voluntarily inserted by the parties; it is implied by a rule of law just as rigorously as if it had been voluntarily inserted. I suggested this view to Mr. Birrell, who adopts it in his recently published *Lectures on Employer's Liability*, see p. 85.

² The employer will of course only be liable now, as before, at common law where he is personally in fault; the remedies are not cumulative; the workman must decide whether he will proceed at common law or under this Act: he cannot do both (Sec. 1. 2. b).

³ What are railways, factories, mines, quarries, &c., is defined by Sec. 7 (2) in the terms of previous Acts dealing with these trades.

when introducing the Bill, estimated that it would benefit not less than six or seven millions of the working population out of a total of fourteen millions. So that at any rate a fair percentage is taken on which to experiment. It will be remembered that the German system was only gradually extended to all trades; and the French Bill of 1888 contained a limited list of dangerous occupations very like that in the Bill before us. If the Bill is a success extension will be easy; if it is not the fewer trades included the better.

To take the main provisions of the Bill in detail: provided an accident occurs in one of the included trades and in the course of employment in that trade, compensation must be paid by the master to the workmen in every case (Sec. 1); so far is this carried that the person who "is in occupation or has control over a place or premises" (Sec. 4) where one of the included industries is being carried on, is liable to pay compensation, though the injured man was not engaged by him or under his personal control, but under that of the sub-contractor; and further even, the employer is to be liable to compensate for the acts of a stranger provided that the stranger has done the workman an injury actionable apart from the Bill (Sec. 6). The Act, however, provides that in either case the employer may subsequently recover the amount expended from the sub-contractor or stranger if he can get it.¹ Widely, however, as the liability of the employer is extended in this direction it is limited in others.

In the first place, no liability attaches for any injury unless its effects last for more than fourteen days.² Lord Londonderry proposed in the House of Lords, but unsuccessfully, to extend the period in the Bill from two weeks to four, which would have relieved the employers of a large number of cases.³ Secondly,

¹ These two sections, especially the latter of them, have caused considerable outcry; Lord Rathmore denounced Sec. 6 as unjust on the ground that the master is not to blame; but this discloses a curious inability to grasp the principle of the Bill, which, as I have already explained, discards the principle of blame, of wrong doing, altogether and simply asks, "Is this injury one naturally incurred in the course of the employment?" Probably so far as sub-contractors are concerned the masters will always contract out, so to speak, and make the sub-contractor primarily liable; it is apparently only as between masters and men that contracting out is forbidden, save in the form permitted by Sec. 3.

² The German law has a similar regulation, but there the period of probation is thirteen weeks, during which period an injured man is cared for, not by the employers' associations under the accident insurance laws, but by the sick clubs under the sickness insurance laws; and to these clubs the masters contribute in the proportion of one-third and the men two-thirds.

³ Of 106,000 cases given by Schönberg, only 15,970 survived the thirteen weeks' limit. The report of the Lancashire and Cheshire Miners' Relief Society for 1897 shows that for twenty-four years, viz.: from 1873-1896, there was a total of

by an amendment of Mr. Seton-Karr's, "If it is proved that the injury to a workman is attributable to the serious and wilful misconduct of that workman, any compensation claimed in respect of that injury shall be disallowed." It has been suggested by Mr. Birrell¹ and others that the clause is wrong in principle, that it drags in the old doctrine of moral guilt, and the difficulty of its apportionment, of which this Bill was to relieve us. But as I have already shown, the term, industrial risk, does not cover either murder or suicide, for in the former case the employer's liability is above normal, in the latter below it. Further, the employer is subject to criminal penalties for offences short of murder, such as breaches of factory regulations; so on the other hand he should be relieved of liability for wilful misconduct of the workman short of suicide, and this is what this section attempts to secure.²

The payment of the insurance is also subject to other restrictions: notice of the accident must be given within six months and before the workman has voluntarily left his master's employment; compensation will only be paid in the case of fatal accidents to those actually dependent on the deceased, and it will be limited in amount. If the deceased leave no dependants the total amount payable is £10 for funeral expenses; if he leave dependants then the Act will award a sum equal to his earnings for the past three years, provided that sum is never more than £300 or less than £150. In cases of disablement the maximum fixed by the Act as payable weekly is 50 per cent. of the sufferer's earnings for the year previous, provided this weekly payment does not exceed £1. This payment is to continue for life if the incapacity last so long; but it may be commuted for a lump sum at the end of six months at the employer's option, and the employer may from time to time have the annuitant examined to see if he is still incapacitated. Where the incapacity is only

disablement cases of 160,780; of these 52,208 did not last one week; but though the proportion of cases excluded by these preliminary periods is large, it must not be taken as a guide to the amount of expense of which the employer will be relieved. Lord Belper when introducing the Bill in the Lords said that the two weeks' limit would relieve the employer of 25 per cent. of cases, but of only 12—13 per cent. of the cost.

¹ *Lectures on Employer's Liability*, p. 86.

² Probably the Factory Acts will here also be generally used as a criterion, and breaches thereof by the workman be treated as "serious and wilful misconduct." Apart from suicide the German law goes so far as to pay compensation in every case, whether the workman be in fault or no; and though the advisability of alteration was discussed by the masters' associations in 1894, yet the results of ten years' experience were so favourable that it was decided to leave the law as it stands.

partial the amount allowed may be reduced at the discretion of the arbitrator.

Finally, the employers and the men may contract out of the Act and adopt any other scheme they please, provided that in the opinion of the Registrar of Friendly Societies the proposed joint scheme of compensation "is on the whole not less favourable" to the workmen and their dependants than the provisions of "this Act."

This is a happy solution of the "contracting out" difficulty, though the exact basis on which the Registrar is to appraise various schemes is not obvious.

Such in outline are the provisions of the Bill. That it will be acceptable to our extreme individualist friends is too much to expect: to them it is as much anathema as all social remedial legislation from the earliest Factory Acts downwards. Liberty is indeed a blessed thing, but what Hobbes called the "desolate freedom of the wild ass" is not particularly admirable, even if it were possible for any of us.

The Socialists on the other hand will denounce the Bill as not going far enough. To the majority of us who are not addicted to beating the tom-tom of any particular "ism," the question is purely a practical one and not an *a priori* one. Does this Bill give us a fair prospect of a remedy for an admitted evil without any grave countervailing disadvantages? Does it secure fair compensation, without on the one hand overburdening the employes or on the other destroying self-reliance and encouraging recklessness and waste on the part of the men?

Criticisms, many good, bad, and indifferent, have been urged against the Bill. To take some of the latter ones:—

First, we are told the measure will ruin the great benefit societies. This I admit would be a serious objection were there any likelihood of its happening, but I see none. The Bill could only destroy them if they did a large amount of accident insurance work, but they do not; the twenty largest trade unions¹ spent in 1894 £31 15s. per head in benefits generally, but of this only 10s. per head, or well under two per cent., went in accident compensation; of £2,400,000 spent by the ten largest friendly societies in the same year, all but £300,000 went in sickness and funeral benefits, leaving a comparatively small sum for accident and other claims.²

¹ See Third Annual Board of Labour Statistics, p. 12.

² It must not be forgotten, however, that a good deal of the money disbursed on account of sickness insurance should properly be put down to accident, as most

There are, it is true, a good many voluntary societies whose sole object and work is to insure against injury; in the mining trade there are nine such,¹ with a membership roll in 1895 of 317,004, and an income of £294,333. But when compared with the grand aggregate of friendly societies,² the numbers of the former are so small that, even supposing these accident funds were ruined,³ it is little short of absurd to say that the whole vast structure of the voluntary societies is threatened by the Bill.

Then it is said that the masters will insure their liabilities, and become careless, as it will be immaterial to them whether a few accidents more or less happen, a few hundred pounds more or less have to be paid by the insurance office; and German experience is quoted to prove that this is what actually happens.

What in fact has happened in Germany is that in the serious cases the rate has diminished. In the partial disablement class, however, owing to better notification, the rate has admittedly increased.⁴ If employers persist in neglecting proper precautions, the insurance companies will very soon adopt the German plan of putting such negligent clients on a higher scale of risk.

Thirdly, we are told that the cost of compensation payable under the Bill will be so heavy as to ruin industries already crippled by foreign competition, and that the workman, so far from benefiting by the Bill, will be the first to suffer.

friendly societies do not discriminate the causes of illness. But in any case the amount disbursed for industrial injuries is small. Mr. T. Hawkins, Secretary of the London Friendly Institution, where the causes of illness are carefully tabulated, allowed me to examine his record book for the year 1895: of 467 cases coming on the fund during the year, only 45, or less than 10 per cent., can be ascribed to "accident."

¹ Including the well-known Lancashire and Cheshire Miners' Permanent Relief Society. See Report of 16th Annual Conference for dealing with mining accidents (1896), tables I. and II.; for this report I am indebted to the kindness of Mr. George Campbell.

² In 1895 the total number of friendly societies was 22,586, and of industrial and provident societies, including trades unions, 28,916 for England alone, and their income is reckoned in millions.

³ And even these pure accident societies need not suffer: the owners already contribute some £33,000 to the total income of £294,333, and if they will increase this to an amount equivalent to their liability under the Act, so as to get the Registrar-General's certificate, they will be allowed to contract out, and the societies will be put on a sound basis and be able to meet the growing demands for compensation on the ground of disablement. See Mr. Neison's report to Lancashire and Cheshire Society for 1896.

⁴ See the figures of the Imperial Insurance Office quoted by the *Daily Chronicle* Commissioner: the death rate which in 1887 was 0.77 per thousand, in 1895 was only 0.67; the total disablement rate in 1887 was 0.73, in 1895 it fell to 0.14, while the partial disablement average rose from 2.10 in 1887 to 3.75 in 1895. A similar increase is noticeable in England with regard to the less serious cases. See Mr. Neison's report just quoted.

In the great battle of percentages waged in the House, into which I have not time fully to enter, one or two points have been somewhat overlooked.

In the first place the mining industry is but one among many, representing only 10 per cent. of the seven millions the Bill will benefit, and that one where the risk is admittedly abnormally high.¹

Mr. Richardson declared in the House that the engineering trade can insure at the rate of 2s. 6d. or 0·12 per cent. on every £100 paid in wages; while the mine owners assert that the Bill will cost them 2½ per cent. on wages, which will spell ruin to them. Even if we admit their figure of cost this conclusion seems hardly justified. A reference to the Board of Trade comparative table of wages² for the last ten years shows that since 1886 there has been an increase in the percentage of wages paid in all mines in England and Scotland, varying from 3¼ per cent. in Northumberland to 30 per cent. in Lancashire and Yorkshire; if an increase of 2½ per cent. is to spell ruin to many colliery owners, an increase of 30 per cent. should have exterminated them all.

Though I should be very sorry to see an excessive burden thrown on an industry already depressed, it is perhaps not unfair to suggest that the owners are exaggerating their liability under the Bill, as they certainly did when the 1880 Act was passed.

The solid objections to the Bill are mainly three:—

First, the English system throws the whole responsibility on the individual employer. In Germany, the liability is a joint or

¹ The Masters' figures put forward in the House by Mr. Seton-Karr and based on the calculations of Mr. Neison, the friendly societies' actuary, were as follows:—for every 10,000 men engaged the cost would be £14,500, taking the average miner's wage at £60 per annum; this gives a total income for 10,000 men of £600,000, on which £14,500 would be about 2½ per cent.; but according to Mr. Neison's calculation for the Lancashire and Cheshire Society, for every 10,000 men 25 men are killed each year, of these ten being single and fifteen married; the ten single men under the Bill will probably cost £10 each, or £100, as it is fair to assume they will generally know no dependants; the fifteen married men at three times the yearly average wage, or £180, give £2,700. Of disablement cases Mr. Neison says there are 1,800 temporary cases per 10,000, lasting four and a half weeks; the two weeks' limit will reduce these by one half, and as they will not all get the full 50 per cent. allowed by the Bill 900 × 10s. will give a fair average, *i.e.* £450; finally, there are forty-five permanent cases lasting three and a half years, this at the maximum allowance of £30 works out at £4,725, total £7,975, or much nearer the 1·5 per cent. suggested by Mr. Chamberlain.

In Germany the cost of accident assurance has been worked out according to trades; out of thirty-four tabulated, transport comes at the top with 1·9 per cent. of total cost of insurance, quarries and mines fourth with 1·7 and 1·6; while the silk and tobacco industries stand at 0·1 per cent.

² *Third Annual Report of Labour Statistics*, p. 105.

trade one: every employer must join a Masters' Association in his particular trade, and pay a contribution to cover the expenses of compensation incurred during each year. The actual relief is paid to the injured men directly after the accident by the Government through the Post Office, the Government recovering the total at the end of the year from each of the Associations as a whole. The workman or his widow thus runs no risk of losing his dole owing to the bankruptcy of the employer, as he does in England.

Any such scheme of compulsory association would not be tolerated in this country: the great hope therefore is that the masters will insure largely; and Section 5 very properly provides that the workman when the master has so insured¹ shall have the first claim on the money paid.

Secondly, there is no joint action of masters and men necessarily involved either for purposes of arbitration or for insurance. The Bill throws a great burden on the arbitrator: he has to decide serious questions of law, of fact, and of the amount payable, and on the last two points his decision is to be final;² and yet the selection of the arbitrator is left very much to chance. The work may be done either by Conciliation Boards where such already exist, by an amateur arbitrator if mutually agreed on, or in the last resort by the County Court Judge. Considering the great responsibility thrust on the arbitrator and the necessity of securing as far as possible a common standard of compensations, it is a pity that the Government did not encourage small permanent Boards of Arbitrators, consisting say of two masters, two men, and an umpire. These Boards sitting continuously would preserve a uniform standard of compensation, and would form valuable centres which could be developed in the direction of expert inspection and better prevention of accidents.

Joint action also for the purpose of insurance is most desirable: a great future lies before the scheme if the provident societies, to whom the workman will have to look for assistance during the first two weeks, and the masters, who must provide for the fatal and chronic cases, will combine: it will then be to the direct interest of both sides to reduce injuries to a minimum: serious

¹ In many cases, as in mining, the risks are at present very high. Explosive risks in some mines are not insurable beyond £5,000, but there are indications that the employers are prepared to combine with the big insurance companies to insure on a larger scale and to divide the risk.

² Much more power is entrusted to the arbitrator than in Germany, where an appeal nearly always lies from the Joint Arbitration Boards to the Imperial Insurance Office.

cases will receive proper treatment from the first:¹ and the danger of malingering—a very real one—will be greatly reduced: no one hates a ne'er-do-weel workman who is always shamming sick more than a fellow-workman, not even the master: and the former has greater facilities for surveillance.

Lastly, the Bill cannot fail to give rise to much litigation: apart from the fact that the old common law and the Employers' Liability Bill of 1880 may still be resorted to, the Bill itself raises many thorny points: the arbitrator will have to decide whether the workman in the case before him comes within the Act, whether the injury is done in the course of employment, whether there had been "serious and wilful misconduct" on the part of the injured man. On all these points of law appeals are likely to be numerous, where the issues will be complex, expert lawyers will have to be employed, and bills of costs will be lengthy: truth of course is great, but often not half as great as the cost of elucidating it.

Lawyers were only allowed to appear according to the original draft of the Bill in such complex cases and at the discretion of the arbitrator. As amended in Committee, however, counsel may appear in all proceedings under the Act. This I think a mistake: experience of the Employers' Liability Act has proved that trial by battle in open court is the wrong method of settling these claims: what is wanted in ordinary cases is an informal business adjustment of an admitted obligation. Lawyer as I am I must admit that if the profession are called in the arbitration will tend to become a fight, both sides will be irritated, and every technical defence will be made full use of.

However, as Herr Bodiker, the father of German insurance, says, "*Der pessimismus ist unfruchtbar*," the scheme may be imperfect, but if masters and men will combine, they can make it one of the most successful, as it certainly is one of the most ambitious, pieces of legislation of the century.

MONTAGUE BARLOW

¹ The German employers find it worth their while, though they are not legally liable till the fourteenth week, to take over cases from the first; an injury may be curable in the first week which has become chronic by the fourteenth.

THE NEW GERMAN EXCHANGE ACT.

THE increase of speculation in the year 1890, and the numerous bankruptcies that followed, gave rise to the New German Exchange Act. And in February, 1892, when the Commission of Inquiry into Exchanges was summoned, the main problem was still, How to restrict gambling on 'Change; how, in particular, to render it difficult for private persons, *i.e.*, the non-commercial public standing outside Exchange dealings as such, from taking part therein. Speculation in bonds was at the time unquestionably very widely diffused among all classes, and no less widespread were the heavy losses that followed during the depression of 1891. But it was also maintained that the general public had been largely speculating in goods; and that persons of private means, officials, clerks, and even servants, were dealing in "futures" on 'Change in coffee, sugar, grain, &c., and that this had not only brought great injury to them, but had tended to the giddy fluctuation in prices. On the Hamburg coffee market, no doubt, a considerable number of such "outsiders" had taken part in these transactions, but I think that in other respects the statements on the subject are somewhat exaggerated, and that comparatively few people speculated in goods with which they had, as a rule, nothing to do.

Dealing in futures is regarded as the peculiar province for gambling on 'Change, and rightly so when the speculation is in goods. A great capitalist who is able to store large quantities of goods, or to place them on the market at the right moment, may, of course, make cash speculations on a grand scale, because he is able to influence prices. But futures afford persons of comparatively small means the chance of making great gains by gambling, because in this case their obligations can be met not only by the actual delivery or withdrawal of the goods that were bought or sold, but also by the loser paying the difference. The great gambling transactions in the Stock Exchange occur also as a

rule in the form of futures among private persons. In Germany a milder kind of speculation is more general, based on cash transactions with credit allowed by the banker through whom the business is transacted. For instance, a man will deposit 20,000 marks with his banker, by whose assistance he buys, for cash, shares or bonds to the value of 40,000 marks. These are lodged with the banker as security. The purchaser can then quietly wait until the Exchange value of his securities rises, and when this is sufficiently high can sell out at a profit. Of course, in the meantime he must pay interest to his banker for the amount advanced; on the other hand, he will receive Exchange interest (*Börsenzinsen*), or any real interest or dividends on the deposited bills that may fall due during the interim. When the terms of such transactions are those of monthly settlements, they come very near to actual futures. They scarcely lend themselves to speculation in "bears," but private speculators who flock into the field only when times are good, reckon almost exclusively on a rising market, and hence find many convenient opportunities for speculation apart from futures. Until lately, the investor had no guarantee that the banker actually bought and took charge of the securities that were ordered.

Indeed, it was the general opinion that the banker was only bound, should the purchaser demand it, to furnish him at any time with the exact number of the securities, or to sell them for him. The depositor had no proprietary rights over the securities unless he received a list of the numbers of the several securities which had been purchased. Then only was he entitled to more than a demand on his banker. At the time of the passing of the New Stock Exchange Act, the Act of July 5th, 1896, relating to the safe keeping of bonds, was also passed, occasioned by the numerous embezzlements of deposited securities. By it those buyers who were speculating in bankers' credit are included under better protection. It *obliged* the agent to give in a list of items; nor may the buyers, if they are not themselves bankers or bill-brokers, omit to demand it, unless an explicit written explanation accompanies every separate commission. The same applies to all bonds left as security with a banker.

Thus, in any case, extensive Stock Exchange speculations in bonds may also be carried on by cash transactions, and experience has already confirmed the expectation that a limitation of dealing in fixtures would involve an increase in other forms of speculation. The Enquiry Commission has not proposed any considerable limitation of time bargains in bonds; but only the

exclusion of such stocks as did not represent a capital of, at least, 20 million marks. The Bill, as drafted by the Bundesrath, added the provision that every one who took part in such transactions should be entered on an Exchange Register, and the Act forbade all dealings in futures on the Exchange in mining or industrial shares. These measures are bearing very little effect either for good or evil. The Stock Exchange easily accommodated itself to them. The Exchange values of industrial and mining shares, owing to the favourable course of business, have scarcely ever risen so high as during the last few weeks, and there has been a very brisk speculation in this scrip on the part of private persons. The fluctuations and the ultimate fall in prices will, it is true, be probably more violent than would have been the case had there also been time bargains, as in the case of speculative sales dealers protect themselves by purchase when prices are falling, and so prevent a further fall.

Hence, if it were the aim of the Exchange Act of June 22nd, 1896, to limit speculation on the Stock Exchange, and especially to exclude from it, as far as possible, the non-commercial public, there is very little practical result to show. But that aim, which at first was so prominent, has been gradually dropping out of sight, and the tendency of the Act has become more and more distinctly agrarian. It is true that in the proposals laid before the Reichstag, which were occasioned by the creation of the Enquiry Commission, there was a demand for regulations against the abuse of time-bargains as a means of gambling, both on 'Change and elsewhere, with special reference to staple food-stuffs. But, from the wording of these proposals it is evident that they only referred to an artificial raising of the prices of necessaries through the operation of the Exchanges. But during the last two years of the deliberations of the Enquiry Commission, it became more evident that the whole interest of the agrarian party was concentrated on the effort to limit, or, where possible, to prevent all futures, in case of trading in grain, or other agricultural products. These efforts were not entirely successful, either in the proposals of the Commission, or in the Bill as drafted by the Bundesrath; in the Act itself however the end was gained, its most important clause prohibiting time bargains in buying or selling grain or mill goods.

It is these time bargains in grain which are at the root of the hostility with which the agricultural interest regard the Exchange. They are persuaded that the Exchange speculates for a fall in the price of grain with a more or less malignant motive, and that

time bargains offer the best opportunity for attaining this end. It is in vain they are assured that the whole tendency of the Exchange is to raise rather than to lower prices; that this has been repeatedly proved with regard to other commodities, *e.g.*, sugar and spirits; and that during the last four months of the preceding year, so soon as the condition of the world's market allowed, it effectually supported a rise. When the Russian crop failed in 1891 and all export of grain from Russia was forbidden, the Exchange was charged with unduly forcing prices up; why then should it afterwards develop an inexplicable and malevolent preference for low prices?

Of course it is easy to explain how this opinion of the agrarian party arose. Because the price level, which is determined by the natural conditions of the markets of the world, finds expression on the Exchange, the latter is held responsible for these conditions. Germany must import yearly about one-fourth of her wheat, and one-ninth to one-tenth of her rye; and this is done mainly through transactions on 'Change, and especially by dealings in futures. When foreign crops are heavy, the importation of grain into Germany will always bring prices down to a level with those of the markets of the world, altogether apart from the duty, and it will be so even when a deficient home crop would seem to justify a rise. And then Exchange is held responsible for this depression; though it was really caused by the importation that must have taken place without the co-operation of the Exchange and of time bargains. When the price of wheat is higher in Berlin than in America *plus* duty and *plus* cost of transport, there must in any case be an importation which will check any further rise. If this is done without the aid of dealings in futures, the firms which have large capital at command will control the market all the more, and by buying and selling stock will influence prices in their own interest all the more. By this means they will probably make larger profits; but whether this control, exercised by a maximum of ready capital, will also benefit the landed interest is exceedingly doubtful.

On the whole it is clearly recognised that futures have a levelling effect on prices, and keep fluctuations within narrower limits. This is very evident on the Stock Exchange. Shares that are not objects of time bargains often undergo serious alteration in Exchange value on account of a relatively slight supply or demand, and, in the case of a panic, incur not infrequently an incredibly severe fall; while, on the other hand, shares which are objects of time bargains are subject to less sudden fluctuations. And (as

already stated) even under unfavourable circumstances, any excessively severe depreciation is prevented by dealers in speculative sales requiring to cover their liabilities. In the Produce Exchange the general effect of time-bargains is the same, though here there may be some peculiarities of form. They make the market wider. Every lot of goods offered for delivery easily finds a purchaser, who must then provide for their disposal, either taking them himself, or finding another purchaser before the term for delivery expires. The goods may thus pass through several hands; but if they are actually delivered, a purchaser is forthcoming, who actually takes them, either definitely or for *contango* settlement for the last seller. So also any one may at any time buy for future delivery, and at a fixed price, even large quantities of goods without his inquiry influencing the price nearly so much as would have been the case had there been no organised dealings in futures. There are many speculators on the market who sell goods for delivery when they don't possess them, intending to make something out of the transaction by buying, if possible, of course at a lower price. But they undertake the obligation of finding another vendor; and, should the original purchaser positively demand it, the goods will be punctually delivered, and at the time agreed upon. Of course, if *every* buyer and *every* seller taking part in a series of transactions intends from the outset to free himself before the expiration of the time by a transaction of an opposite nature, the deal is closed without any actual delivery of goods, and all claims and obligations are settled by a payment of differences. But the extent of the market remains steady. None of the speculators knows whether the other party will really deliver or be "called up"; and every one must at least have the means at command to enable him provisionally to undertake the responsibility, either of payment, as of delivery, until such time as he could find an opportunity of turning it over to some one else. It is clear that dealings in futures make it possible for those who will not themselves speculate to *insure* themselves against future fluctuations in price. For instance, the corn merchant can sell to-day, at a certain price, for a future date wheat which is still stored in Chicago, and in the same manner the miller can even now cover his future need in wheat at a certain price; both can hereby lessen their business risk at pleasure.

But, say the opponents, millions of sacks of grain are sold on the Exchange which have no existence whatever, and this "paper wheat" exerts an artificial pressure on prices which is injurious to the interests of agriculture. In this objection the fact is

overlooked that the dealer in speculative sales is obliged, later on, to buy in precisely the same quantity, and thereby cause a corresponding rise. Such speculative transactions, however, on the Exchange are *continuous*; there are thus at the present time speculative sales that were negotiated at an *earlier* date, which must be covered by repurchase, and these are now counter-acting the effect of speculative sales just made. It is true that under certain circumstances the latter may considerably preponderate, but this is only to be expected, and the dealers in speculative sales can only count upon a profit when the actual condition of the world's market shows a downward tendency in prices. And this tendency will always be mitigated by the need of the speculator in "bears" to cover his liabilities. As speculation for the most part is accurate in its judgment of immediate contingencies, the prevalence of such sales at any given time is only a sign of the fact that in the markets of the world the ruling tendency is to a fall. If the actual relations of supply and demand worked in the opposite direction, speculative sales could only lead to the ruin of speculators attempting to swim against the stream.

Even a merely passing effect on the Exchange prices of a commodity is only felt when supplemented by large *actual* sales. It is the latter that do most to produce a fall, and speculative sales only intensify it. On the other hand they greatly increase the risk of the speculating capitalist doing business on a large scale. He, if he has been deceived in his judgment as to the situation in the world's market, will have to smart the more sorely for it. Speculators who are operating with large capital, or with great quantities of goods, may sometimes perhaps have worked against the interests of agriculturists; nevertheless, opposing interests always exist in business affairs, and the suppression of time bargains would make no alteration save to increase the power of large business capital.

Other objections to time bargains in grain have a more specific character. It is urged that they have systematically kept prices down during the time immediately following harvest—the time when most agriculturists are obliged to sell—and then a little later raise them as high as possible when agriculturists could no longer benefit by them. But this is surely in the natural order of things, and if there were only actual trade transactions it would be the same:—prices fall when a new harvest brings a full supply to the market, and rise towards the close of the agricultural year when the supply is limited. But

if the crops are less than normal there is an immediate tendency towards a rise in price, as was the case in September and October, 1896.

Complaint has also been made that the qualities of wheat and rye, accepted in time bargains, were very inferior, especially on the Berlin Exchange; yet the prices quoted for these low qualities were made the basis for settling bargains in the provinces, so that even the grain of better quality did not realise its proper price. It is a fact that before the year 1887 the qualities delivered at the Berlin Exchange were very inferior. However, Prince Bismarck, as Minister of Commerce, then made an order that the qualitative weight, *i.e.*, the weight which served as the standard mark of the quality of a certain measure of corn, was to be considerably raised for the various kinds delivered. An agricultural authority said indeed, very lately, that even this, the current weight, is not nearly high enough, because, for example, whereas a hectolitre of rye, of normal quality, would weigh 72-73 kils., the standard quality in Berlin is only 71.2 kils. The Government, however, has abandoned the further raising of the compulsory weight of rye to 72 kils., as had been proposed for 1898, because it appeared that a great part of the rye grown in the eastern provinces of Prussia in unfavourable years, such as 1889, does not come up to this weight.

Again, the agricultural party has asserted that the experts on 'Change frequently passed perfectly useless grain as fit for delivery, and thus caused a depression in prices. As the delivery quality is only determined by the qualitative weight and by being declared "good and sound," it may happen that grain can satisfy these conditions and yet be unsuitable for grinding. But, that the experts wittingly gave an undue preference to bad qualities is an utterly unfounded accusation.

And lastly, the charge is brought against the Exchange that prices, especially those of grain, were falsely quoted and did not correspond with those actually paid. The representatives of the Exchanges thus attacked have repudiated the accusation as slanderous, and no proof of it has been brought forward. On the other hand the accusers have condescended to explain that they only meant to say that *outside* the Exchange higher prices were frequently paid than were quoted on 'Change. Nevertheless, in agricultural circles there is still great want of confidence in the way in which prices are quoted on 'Change, and special stress is laid on the demand that representatives of their interests should be on

all Exchange directorates, in order that they might have a voice in the fixing of the official rates.

We have enlarged upon the tendencies which gave rise to the new Act in order to render it easier to form an opinion on each separate clause. No definition of the term "Exchange" is given in the Act, and probably the law will soon have to decide whether the Free Associations of Merchants, which have superseded the Produce Exchanges in Berlin and some other towns, are to be considered as Exchanges, and whether as such they are under the Act. If they are Exchanges, their establishment must, according to the first paragraph of the Act, be ratified by the Government of the country;—*i.e.*, not the Imperial Government, but that of the State specially concerned. Hitherto, in nearly all other Federated States, the ratification of the Government was not necessary in order to establish Exchanges, nor in most of them did any State supervision exist. The State Governments have also the power to abolish existing Exchanges, and they always have a right of supervision, not only over the Exchanges themselves, but also over such institutions as are closely connected with them, such as Information Bureaus, Clearing Houses, &c. But now by these provisions concerning the establishment and supervision of Exchanges, the essential features of the Prussian Legislature have been extended over the whole Empire. According to the new Act, direct supervision over the Exchanges can be given to Chambers of Commerce, or similar bodies. In addition to this a State Commissioner is to be appointed to represent the State Government, at least on all the larger Exchanges. But besides these rights vested in the Government of each State, the Imperial Government as represented by the Bundesrath receives certain powers over the Exchanges. And in order that the regulations of the Bundesrath may be properly carried out in these matters, a consulting Committee is to be appointed to help them, half the members of which are to be elected directly by the Bundesrath and half on the nomination of the Exchange authorities. For every Exchange a set of regulations is to be published, which must be accepted by the State Government. The latter can also insist on the incorporation of certain ordinances in the Exchange regulations, especially such ordinances as shall provide for an adequate representation of agriculture, milling and allied industries on the Directorates of the Produce Exchanges. The enforcement of these regulations has led to conflicts in Prussia, because the members of the Produce Exchanges in Berlin and other places did not wish to

accept the co-operation of their agricultural opponents on the Exchange directorates. The Exchange regulations must also arrange for the management of the Exchanges, must determine the branches of business which should come within its scope, the conditions of admission to its use, and the manner of quoting prices and values. The Act itself cites a series of classes of persons who are to be excluded from the use of the Exchange, and leaves it to the Exchange regulations to determine further grounds for exclusion. With regard to persons who are excluded on account of an ordinary bankruptcy, or who are in a state of insolvency, the regulations in this Act are more stringent than those of the earlier Berlin Exchange regulations, but it must be admitted that they are fully justified. The authority which Section 6 gives to the Bundesrath to prohibit certain branches of trade from making use of the Exchange facilities, or to make such use conditional, is important. There is no need here to enter more particularly into the provisions of the Act for maintaining order on the Exchange, as well as those relating to the courts of honour (*Ehrengerichte*) and equity, as they have no direct economic bearing. But the provisions for the official settlement of Exchange prices are important. This is undertaken by the Exchange Directorate both for cash and time bargains (*Zeitgeschäfte*), and the Exchange rules may decide whether this shall be done with the co-operation of representatives of other professions. This means practically whether the representatives of the agricultural interest shall co-operate with the directorate of the Produce Exchanges. Besides these no one may take part in the settlement of Exchange prices except the State Commissioner, the official brokers, and the Exchange Secretaries. The Exchange price is fixed by the actual trade conditions, under which transactions on 'Change are made. Hence, as a matter of course, only such bargains as are concluded on the Exchange itself are to be taken into account in the quotation of prices. But how is the price which corresponds to "actual trade conditions" known? According to the preamble of the Bill as drafted this is to be an average price. In determining this, special personal and other considerations which do not really touch the trade in question are to be rejected. It is, however, very difficult to say when such rejection is justifiable. In theory, no doubt, the most accurate method would be to take the average of all the prices that have been quoted during Exchange hours, regard being paid to the *amount of goods*. This however could only be carried out if none but officials or specially accredited

agents were empowered to act. But this is not the case, nor is it to be desired. The Act certainly introduces a new category of brokers, the so-called stock-jobbers (*Kursmakler*), who are appointed and sworn in by the States Governments. But they have no other rights beyond being consulted in the official settlement of Exchange prices, and it is only the transactions negotiated by them which have a *claim* to be considered in this settlement. On the other hand, the Exchange directorate *has a right* to take account of all sorts of transactions which have come about in other ways. Properly speaking this must always happen if the actual trade conditions are to receive adequate expression in the Exchange price. And besides, an Exchange price in the technical sense can only be fixed for securities and for goods of a well-defined type. Home-grown corn comes into the German markets of such markedly different qualities that a uniform quotation in cash transactions is not possible. On this account hitherto only two limiting prices, including a fairly wide range, had been decided upon on the Berlin Exchange, and these differ widely from each other. With respect to stock-jobbers it should be further noticed, that, contrary to the legal provisions hitherto in force regarding sworn trade brokers, stock brokers are now allowed to trade in their own name, at least up to a certain point, in those branches of business in which they have a voice in the official settlement of prices. They may also take over security for transactions negotiated by them, so far "as this is necessary to the execution of commissions entrusted to them." Large powers are given to the Bundesrath with regard to the settlement of prices on 'Change. It can empower particular Exchanges to settle prices by methods different from those prescribed in its general provisions, and it can order an official fixing of Exchange prices for certain goods either generally, or for certain Exchanges, when there is sufficient Exchange traffic in such goods. It can also create provisions in order to make one uniform method of quotation in the different Exchanges, specially with regard to the already established quantity units.

The Act further contains important regulations regarding the admission of bonds for Exchange business. In every Exchange a special Admission Committee is appointed, which verifies documents and references that are to be at hand before such bonds can be quoted on 'Change; it also seeks to give the public the fullest possible information about securities which are to be admitted; and such issues as may injure important general

interests, or which evidently lay the public under an undue disadvantage, are to be refused, without any reason for such refusal being expected. The Committee is further empowered to exclude securities that have been already admitted. The following objections may be made to this arrangement:—That securities which are admitted possess thenceforth in public opinion a kind of open guarantee that they are sound, and that purchasers would give themselves less trouble to arrive at a correct opinion as to their value. But by far the larger part of the public is not in a position to form such an opinion; and for this larger part it would, on the whole, be an advantage for as impartial a committee as possible to examine bills previous to admission, and to refuse issues to such as are evidently the outcome of conspiracy and fraud. This examination can, of course, be no guarantee of the absolute soundness of the securities that are admitted. One main basis of the examination is a prospectus which must be published and contain a great number of data quoted from the decree for carrying out the Exchange Act. If incorrect statements are made in the prospectus which materially affect the value of a security, the owner of the latter may recover for such loss as may accrue to him, from those who issued the prospectus, as well as from those under whose instructions it was issued, if they knew it to be incorrect, or could have known it without serious difficulty. The same rule also applies if the prospectus is incomplete through the omission of any important facts, whether the information is withheld from malice prepense, or from a culpable neglect to make sufficient inquiry. By this provision a serious responsibility is laid upon the issuing firms, the effect of which will probably be to render it difficult for half bankrupt States to raise loans, and for the shares of fraudulent companies to gain admission to the German Exchanges. Imperial loans and those of the federated German States are exempt from the restraints attaching to this prospectus; besides which the States Governments may also claim exemptions for debts guaranteed by them and for loans of public bodies.

The Act lays down certain conditions for the admission of securities to Exchange business. Notably, when a private undertaking has been turned into a joint stock company, its shares may not be admitted to the Trade Register until the expiration of one year after the registration of the company, and not until the publication of the first yearly report, accompanied by a profit and loss account. The Bundesrath also determines what must be the minimum capital of companies whose shares are to be

admitted, as well as the minimum value of the single items of the securities that are to be admitted. It can also make provisions regulating the scope of the Committee of Admission, and the requirements in order to admission. This is settled by the decree for carrying out the Act. It is especially stipulated that the sum total of the nominal value of the several shares seeking admission (hence, in the case of joint stock companies, of the capital) must amount to at least 1,000,000 marks for the Exchanges of Berlin, Frankfort and Hamburg, and to at least 500,000 marks for other Exchanges. But exceptions can be made for issues of merely local importance.

The following section of the Act concerns dealings in futures on 'Change, both in goods and in bonds. These are defined as transactions by which goods are procured, either by purchase or otherwise, for a definite date of delivery, or within a definite period for delivery if they are made in accordance with business provisions laid down by the Exchange Directorate for time bargains, and if there are regular quotations of such time bargains on the Exchange concerned. This definition thus implies that an Exchange system is already in practice. Time bargains are those which comply with the conditions laid down concerning them by the Exchange Directorate; but to this there must be added the requirement that a definite official price must be quoted. No time bargains, therefore, as understood in the Act, can be made with bonds that are not recognised on the Exchange. The conditions laid down by the Exchange authorities for all time bargains concern not only the time of delivery or the period allowed, but also the quantities which are to be taken as units in the transaction. For example, 25 shares; 50 tons of wheat; the quality of goods as decided by certain definite marks; the methods by which stocks should be liquidated and goods declared; the methods of enforcing its decrees; the subjection of parties to the Exchange Court of Equity. Prominence must be given to the details of these Exchange rules regarding time bargains, in order to distinguish them from other transactions relating to delivery, and to determine to what extent they have been prohibited. The Act gives full authority to the Bundesrath to make time bargains on the Exchange conditional, or to forbid them altogether with regard to certain goods or bonds. The Act expressly mentions two prohibitions of this kind. The one relates to time bargains in stocks or in shares in mines and manufacturing concerns, with the further proviso that any such dealings in connection with other industrial companies, such, *e.g.*, as banks and

railways, are only permitted when the capital of these companies amounts to at least 20,000,000 marks. This is to prevent dealings in futures in those shares which represent only a comparatively small capital, and the Exchange value of which can therefore easily be controlled by speculators with large capital. The second prohibition is, however, the most important. This concerns time bargains in grain and in mill products. It was not contained in the Bill as drafted by the Bundesrath, and was only added on the third reading in the Reichstag. The agricultural party regarded this as a great victory, but by this time they may well have learned to modify their opinion.

A further provision of the Act aims at limiting, as far as possible, all participation in time bargains on 'Change by those who are not *bona fide* business men. In order to engage with legal right in such transactions persons must enrol their names on an Exchange Register, which is to be publicly conducted by a competent tribunal. The Inquiry Commission had proposed this arrangement for transactions in goods only, but in accordance with a resolution of the Bundesrath the Act has extended it to transactions in stocks. The fee for registration and the yearly fee for maintenance are moderate and of no practical importance; reliance being placed rather on the moral effect of this register to deter persons from engaging in time bargains, in that it was expected that officials, officers and others who were not *bona fide* business men would be unwilling to have it publicly known that they were taking part in speculation. By such persons the Exchange Register would be regarded as a black list, whilst it was expected that it would not be so regarded by business men. But they have so regarded it, and have strongly protested against the innovation. It would have been better had the register been confined exclusively to those whose names did not appear in the Trade Register, in which case business men would not have been affected. Dealing in futures between two unregistered persons is not forbidden; but in such a case no debts can be recovered, nor can they be when only one is unregistered, unless such person has neither dwelling nor establishment in the country. But, on the other hand, dealing in futures between registered persons is not always legal, and may be open as hitherto to the charge of gambling. The Act only invalidates the objection that the transaction cannot be terminated by effectual delivery *as per contract*—a case of little practical moment. Hence the register has been of so little advantage to the subscribers in giving legal security in their transactions, that hitherto many banks and

bankers have not considered it necessary either to register themselves or to demand registration from their clients.

The last clause of the Act deals with brokerage on 'Change, and especially endeavours to prevent the procedure termed "cutting the price" (*Schneiden am Kurse*) on the part of the brokers, and "speculating over the head of the investor," reserving, however, the right of the broker to enter himself as a buyer and seller.

The Act prescribes that dealings in futures on the Exchange in bonds or goods which are either forbidden or not admitted shall not be allowed to take advantage of the Exchange arrangements, nor can they be negotiated by stock brokers. Moreover such transactions, so far as they are confined to Germany, may not be published in price lists or tables of rates, or be made known by any mechanical propagation. The same conditions apply to all bonds which have not been admitted to Exchange business. With regard to time bargains it is further decreed that a time bargain which is operated independently of Exchange organisation is not to be admitted on 'Change, even though the forms practised on 'Change in dealings in futures may have been complied with. From this we may infer that such dealings in futures are permitted outside the Exchange, even when, on the Exchange, they are expressly forbidden.

Among the penalties specified at the close of the Act there is only one that refers to transactions that are either forbidden or not admitted. Whoever publishes price lists, or quotations of prices, contrary to the provisions of the Act, or circulates them by any mechanical process of multiplication, is to be punished by a fine not exceeding 1,000 marks or with imprisonment not exceeding six months. According to this, no penalties attach to the proscribed time bargains in corn, if no price list has been published or circulated. Probably an unofficial statement in the press of prices not communicated by the dealers, but by reporters, would be included in the prohibition. On the other hand it is permitted to make regular reports in the press of the process in such delivery transactions as are made in free associations outside the Exchange, and not according to the conditions for dealings in futures on the Exchange. The remaining penalties concern fraudulent influencing of Exchange prices; intentionally false statements about bonds in the prospectus and public announcements; the granting and receiving of excessive remuneration for communications to the press, by which Exchange prices are to be influenced; the acceptance of emolument for suppressing such communications;

the frequent misleading of other persons to speculate on 'Change in transactions which do not belong to their legitimate trade, for the sake of gain, if effected through exploiting the inexperience or indiscretion of such persons; and, lastly, certain offences in brokerage.

What then is the effect of the Act so far as can be seen at present? As already mentioned, it has exerted no important influence of any kind on the Stock Exchange. We may suppose that the responsibility of the firms issuing prospectuses for the statements contained therein will make the introduction of unreliable scrip somewhat more difficult; the Exchange register will keep many "outsiders" from making time bargains; and the present disinclination on the part of business men to register will probably disappear. On the other hand, speculation in bonds will continue under the new Act to the same extent as heretofore. Up to January 1st there were time bargains in forty-nine kinds of scrip on the Berlin Exchange; these have now decreased to forty-one. Eight kinds of stock have been excluded from time bargaining because they related to industry or mines; but for these, as already mentioned, a sort of cash business, with bank credit and monthly settlements, has been introduced; and experience since January has shown that this is just as well adapted for speculation as time bargains.

The immediate effect of the Act upon the Produce Exchanges has been much more decisive. In Berlin and other Prussian towns the Produce Exchanges have been broken up, because the Government insisted that agricultural and milling interests should be represented on the directorate. A free association has been formed for business in grain, flour, petroleum, rape, oil, and spirits; and the question is not yet decided whether or no this is an Exchange within the meaning of the Act. If this association is judged solely according to its *economic* significance, it must be regarded as an Exchange. For, from the economic standpoint, the saying holds good, "*Börse ist was als Börse wirkt*" (Exchange is as Exchange does). But the arrangements and the usages in the new Exchange are not the same as in the old; it has no Exchange brokers, and it neither fixes nor publishes prices. Hence it is doubtful whether it falls within the Act. If it does the police can prevent it from meeting; but legal penalties could only be enforced for publishing or circulating price lists. Until now the prices agreed upon by the directorate of the Association have been privately communicated to the newspapers and unofficially published without objection. There is also now (May,

1897) going on a series of transactions for delivery of grain, which is in point of fact nothing else but a time bargain. Legally, however, it does not come under this category, because it is recognised that the conditions as to the quantities and qualities of the commodities to be delivered, as well as the interval for delivery, are not settled according to the usages of the Exchange. Each case is considered on its own merits, and even should there be defalcation by one party, the general regulations of the Commercial Code are accepted, and not the earlier forms accepted by the Produce Exchange. When the question is settled this kind of delivery business will also continue to take place on the official Exchange, despite the fact that time bargains in grain are forbidden. This will make the prohibition of little practical value. In the meantime, however, the agricultural party may also have recognised that time bargains are not, as they have commonly regarded them, a weapon directed against their interests; and they will realise that their abolition will only serve to increase the power of great capitalists to control the market and to manipulate the prices; and that even should such abolition result in a rise in prices, this would benefit not the producer, but only the dealer, inasmuch as his risk becomes the greater. But first of all it behoves agriculturists to rid themselves of the illusive importance which they now attach to the co-operation of their representatives in the fixing of prices. For if the representatives of the agricultural interest were to take part in drawing up the Exchange lists, they would find that the prices quoted correspond as exactly as possible to those actually paid, but that the prices paid are under the immediate influence of the "conjunctures" of the world's market against which no small artifices can avail anything. On the whole the prices of wheat in Berlin run parallel with those in London, except that the effect of the duty will make them sometimes a little more, sometimes a little less, according as the need for importation in the country is more or less urgent. The German agricultural party cannot yet grasp the idea that low prices in grain are caused by the actual economic conditions of production and consumption throughout the world; they prefer to believe in international conspiracies and evil machinations on the part of the home Exchanges for the purpose of keeping down prices. They reject the hypothesis of over-production, although they complain that when Germany has a good harvest the rye has to be used as fodder for cattle. But over-production in grain need not be world-wide to produce low prices. It is sufficient, if, under the

influence of competition in districts specially favourable for production, the aggregate world's demand can be covered at these prices. In consequence of this the less favoured producers may have scarcely sufficient profit, or they may even lose, but they do not allow themselves to be thrust aside without further effort; they continue the struggle year after year, and thus give rise to that economic strain upon land rents which is the real cause of agrarian complaints. These results of the economic facts of the world are seen upon 'Change, but the facts and their consequences would remain, were all Exchange business forbidden and all Exchanges closed.

W. LEXIS

REVIEWS

Life and Labour of the People in London. Edited by CHARLES BOOTH. Vols. VIII. and IX. (London: Macmillan and Co. 1896 and 1897.)

IN these two volumes Mr. Booth has presented to the public further instalments towards the final completion of his arduous but congenial enterprise. We had indeed expected—and he was responsible for raising the expectation—that, with the appearance of the second of the volumes, we might have offered him our sincere, respectful congratulations on the successful achievement of a task, which has earned the grateful admiration of all interested in economic and statistical inquiry, whether from the speculative and strictly scientific, or from the more practical side. It is true that in a sense he has now finished the picture which he proposed originally to draw: but, with the fondness of an artist, whose study from the first has been a labour of love, he lingers over the canvas, and cannot refrain from adding the last touches, which seem to be necessary. For this pardonable hesitation to lay down his brush those, who have for the last ten years watched the steady progress of the painting, will feel a new sense of obligation, and will look forward with expectancy to the three completing volumes, which are now promised. The character of these volumes, and their relation to those already published, may be best described in Mr. Booth's own words. In the Preface to the ninth volume he writes:—“The ninth volume does not quite conclude the work, but what remains to be done is entirely distinct in character: being to estimate the forces for good or for evil that are acting upon the condition of the population of London: a necessary preliminary to the ultimate balancing of hopes and fears that will form our final judgment. For this completion three more years' work and three more volumes will, I fear, be necessary.”

But, although, as he remarks, the work to be accomplished in these three volumes is “entirely distinct in character” from that already achieved, it is to be prosecuted in a similar spirit. He will deal with “difficult and contentious subjects, such as drink and early marriages,

the organisation of charity and the work of the religious bodies." But "in treating them," he will "continue to confine" himself, as far as possible, "to the statement of facts, leaving these to tell their own story." In this spirit, surveying at the conclusion of the ninth volume the facts already collected and arranged, he hesitates to state his own opinion in answer to the critic, who asks "what it all amounts to?" because he does not wish to "add any colour that can be avoided to the white light, in which" he has "persistently tried to work in making researches into existing facts." "What I have endeavoured to present to my readers," he observes, "is a picture or way of looking at things rather than a doctrine or an argument. I have been glad to see my book furnish weapons and ammunition for absolutely opposed schools, and can even make shift to stifle my annoyance when it is occasionally quoted in support of doctrines which I abhor." And, similarly, to the interrogation of another critic, who inquires "what is the good of it all?" he still attempts no answer. "I trust," he says, "in the efficacy and utility of the scientific method in throwing light upon social questions." "If," he continues, "besides showing where poverty exists in London, and in what degree, and something of its relation to industry"—subjects to which the nine volumes now published have been devoted—"I can indicate also the manner in which the condition of the people is affected for good or evil by social action of various kinds"—a topic to be treated in the concluding three volumes—"it may become easier than it now is to avoid the wrong and choose the right path."

We have quoted Mr. Booth's language because his aims and methods are set forth by himself with an authority and precision which no critic can hope to emulate. The pure scientific spirit, which animates his words, is deserving of all admiration; and the student will gratefully acknowledge that the ideal thus described has been steadily upheld as a guiding principle in the previous part of the inquiry. Neither Mr. Booth himself, nor those, who, working with him and directed by his example, have been inspired with his enthusiasm, have refrained, when fitting occasion offered, from criticising existing conditions, or indicating possible modes, and probable directions, of amelioration. But the primary business of the whole inquiry has manifestly consisted in the diligent examination and orderly presentation of facts,—in a single-minded and persistent search for truth. If error or omission has occurred, the error has been unconscious and the omission unintentional; and an endeavour has been formed from the first, and jealously maintained throughout, to banish prejudice and ignore partiality. In the best sense of the words, the work of Mr. Booth and his colleagues has tried to be scientific; and the fact that so elaborate and valuable an enterprise has been executed by private initiative is a significant illustration of the amount of courage and ability, of perseverance and public spirit, which are to be found in England.

No one, who is really concerned for economic progress, will set any

but the highest value on a method which, before prescribing a remedy, proceeds to a careful diagnosis of the condition of the patient. Nor will he lend less cordial an approval to the plan of observing the actual effects produced by remedies in use as a preliminary to sanctioning or condemning their further employment. But he may be disposed to hint that the work, which Mr. Booth is now approaching, is of greater difficulty than that on which he has hitherto been engaged. He has been occupied in the main with the business of description: he is about to investigate causal connections. He will be beset by the obstacles, which the possibility of a plurality of causes, and an intermixture of effects, presents to all social investigators; and he may have occasion to lament, and lament ineffectually, a lack of opportunity for making decisive experiments. The further task, at which he now only hints as the crown of his enterprise,—that of judging between competing modes of social treatment—involves yet greater difficulties; and the present reviewer must confess that, when, a few years ago, Mr. Booth put forward a programme, immediately applicable to practice, in the provision of pensions for the aged, he reflected with misgiving that this might possibly be the practical conclusion to which the scientific investigations in the volumes before us were leading; and, while he might admire the boldness of Mr. Booth's conception, and the evident conviction with which it was advocated, and recognise the attentive, if not cordial, reception given to it in authoritative quarters, as a just tribute to the zeal and ability with which Mr. Booth had prosecuted his scientific work, he could not but feel grave doubts whether the practical proposal was marked by the same caution and discrimination, or had been scrutinised in the same "white light" of observation as that which certainly illuminated the descriptions of "London Life and Labour." He is relieved to find that, although some of the purely statistical investigation, accompanying Mr. Booth's scheme of pensions for the aged, has been accorded a more permanent place in the fourth part of the eighth volume, dealing with the Inmates of Institutions—"not only," to quote Mr. Booth's own words, "because the matter is extremely appropriate in its present position, but because the volume in which it originally appeared is now superseded"—yet Mr. Booth himself at the end of his ninth volume announces that he has not reached the practical conclusions to which his inquiries may conduct, and hints, not obscurely, that such conclusions may even be outside the limitations of his work. The application to practice of the results of scientific observation is indeed a task of difficulty, however urgent its necessity and indisputable its value. But the discovery of causal connections, to which Mr. Booth proposes now to turn his attention, is only less difficult; and by comparison the work of description, to which the previous volumes have been consecrated, is at once safer and easier. While, therefore, we look forward with interest to the forthcoming volumes as the appropriate sequel to their predecessors, we agree with Mr. Booth in holding that the subject with which they deal is

"entirely distinct in character." For not only is the detection of a causal nexus hard to accomplish, and difficult to establish on a secure, unassailable basis, but it necessarily leads, unless the inquirer be more or less than human, to the open advocacy of one course of action, and avowed resistance to another.

In the first of the two new volumes before us, Mr. Booth continues his review of the population of London classified by trades. He has left the sphere of the regular distinctive industries, and reached that of the more miscellaneous occupations. In the first part, public servants and the professional classes, in the second, domestic servants, in the third, the unoccupied classes, and in the fourth, the inmates of institutions, are computed, classified and described, on the lines followed in preceding volumes. The Census Enumeration by age and sex, the Enumeration by Families, the Social Condition as determined by the number of persons to a room in the lower and central, and the number of persons to a servant in the central and upper classes, are given, and the numerical data are followed by descriptive accounts. These descriptive accounts, as in previous volumes, are full of interesting and instructive detail, and not unfrequently they throw a new light on familiar facts. Taken together they form a minute and comprehensive survey of London Life and Labour. The position of the *civil servant*, it is true, has been so fully set forth in various Parliamentary Reports that little that is new remains to be said; but Mr. Baxter does not neglect to point out the advantages enjoyed in security of tenure, and regularity of employment, and to draw attention, on the other hand, to the discontent which prevails in the lower branches of the service, and is, he thinks, "not altogether unfounded." In the sphere of *municipal service* the most obvious fact is the extent to which the policy of the authorities has been "affected by the growing demand that public bodies should be model employers." But here, as in similar cases, it is curious to note that a general advance of wages has been accompanied by a "tendency to allow the old and unfit to drop off gradually," from a natural endeavour to "get some value for the additional expenditure." A comparison between a return made in 1891 and Mr. Booth's figures for 1895 indicates a general increase in earnings, which is "remarkable." In 1891, 21 per cent. were earning less than 20s., but now there are only 5 per cent in this position, and those receiving from 20s. to 25s. have decreased, roughly speaking, by a half. On the other hand the numbers earning from 25s. to 35s. have increased "more than three-fold." Among the *Police* the small percentages of voluntary resignations—less than 1 per cent. per annum—indicates contentment; but the bulk of the recruits consists of countrymen, "to whom the wages offered appear wealth," while "Londoners of equally good character and physique could" probably "obtain higher wages for other work." In the *Army* recruiting is most brisk in the winter months—a fact which shows that the more evident motive is want of civil employment, and that the glamour of a military

life, attractive as it may prove to some dispositions, is a factor less manifestly or generally potent.

Similarly interesting details appear in connection with other occupations; but here we must be content with mere passing allusions to the irregular and consequently demoralising labour of the law-writers, to whom the law stationers send out work too great for their own staff to handle, to the limitation of the manufacture of false teeth to some four houses, employing about five hundred persons, and producing an "enormous" regular output, to the peculiar skill required for map-engraving, especially for that particular species known as "hill-engraving," to the employment of more than 16,700 persons on the provision of amusement, to the practical monopoly of organ or piano grinding enjoyed now, as heretofore, by Italians, to the comparatively low pay of cricketers, as contrasted with other professionals, to the nice balance of demand and supply in the case of "qualified teachers" in elementary schools, to the continuous increase, steadily maintained since 1861, of the numbers engaged in domestic service, to the "very independent spirit," which is a "marked characteristic of the lower classes of servants," with the preference, which they exhibit, for running away to giving notice, to the imperious necessity, to which the waiter in a restaurant is exposed, of transferring a portion of the "tips," on which he himself mainly lives, to those who prepare or pass the dishes to him, to the special advantages of club-service, to the possible effects of the new restrictions and regulations introduced by the Laundry Act in substituting unprotected male for protected female labour, to the decline in the business of Turkish Baths.

The "unoccupied classes," with which Mr. Booth deals in the third part of his eighth volume, include, as he observes, some of the poorest as well as some of the richest of the inhabitants of London, who are only connected by being alike outside the classification by occupation. They may return themselves as "retired," as "living on their means," or as "pensioners," or they may be widows or wives or spinsters, who are heads of families. Of the "inmates of institutions," whose enumeration is needed to complete the roll of inhabitants, those living in the larger boarding-houses and hotels may be assumed as enjoying the status of comfort, and those living in the common lodging-houses may, with equal assurance, be reckoned as poor, and dwelling under crowded conditions. In the case of the inmates of workhouses there is no perceptible majority or minority of the London-born, but in that of the prison population there is a "very distinct bias against the Londoner."

Mr. Booth's ninth volume is, he states, divided into three parts, the first of which is devoted to certain comparisons of a general character between the different trade-sections, examined individually in preceding volumes, the second to an abstract of the contents of all the previous volumes, and of the first part of this, and the third and last, "drawing upon the whole preceding account of London trades, deals with such

subjects as irregularity of employment, trade unionism, methods and amount of remuneration, industrial remedies for poverty, and the actual standard of life, and so steps into line with the first volumes of "the work, completing the design originally laid down." Of these three parts the second does not contain matter which need delay the reviewer. It is a necessary and valuable portion of the work, and apparently has been carefully executed. The only criticism, which we feel bound to offer, is that it might have been placed more appropriately at the end than in the middle of the volume. We imagine that one reason for inserting it in its present position is that Mr. Booth may have thought that the reader, who wished to appreciate the general reflections suggested in the concluding chapters by a consideration of the whole of the material collected in the second of the two inquiries, would be more fitted to do so, if he had first cast his eye through the summary of that material contained in the abstract. But the arrangement is open to the objection, which is not inconsiderable, that the reader is unable to discover the contents of the concluding chapters without consulting the particular summaries prefixed to each separate chapter, and that in fact the abstract fails to attain the desideratum of being complete in itself. It is also possible that Mr. Booth may have desired to emphasise a distinction between the contents of the first and third portions of the volume, and it is true that, while the earlier chapters are more largely occupied with the purely statistical aspects of the inquiry, the later present a more generally economic complexion. Yet the distinction, on closer inspection, appears to be one of degree rather than kind, and inadequate to outweigh the loss of convenience involved in the present arrangement of the separate parts.

In the first comparisons are instituted between the different trades with respect to poverty, crowding, earnings, the proportion of Londoners, the size of the family, the ages of the workers, the percentage of employers to employed, and the increase or decrease of the numbers engaged since 1861. Critics of Mr. Booth's methods may note with advantage the stress, which is laid, both here and in the third part of the volume, on the "rough" nature of the tests applied to such matters as poverty and crowding, and on the inevitable consequence that "the results attained do not pretend to be more than an approximation to the truth." Crowding, for example, may possess a different meaning according as the persons crowded are infants or adults, are under a good or bad *régime* of household management, must or must not live near their work. Poverty, again, can only be measured so far as it is "apparent," and appearances may deceive. Yet the general agreement resulting from the two methods followed respectively in the earlier and the later portions of the inquiry justifies the assumption that "average crowding does provide a reasonably fair measure of poverty," and in the mass of figures individual idiosyncrasies tend to disappear. Tested, then, by crowded conditions, street-sellers, coal-porters and dock-labourers are the poorest section of the population, and

fully one half of the people (omitting the inmates of institutions) show from 30 to 65 per cent. of crowding. The number of those thus living under crowded conditions is in general agreement, in spite of differences in different districts, with the number reckoned as "poor" in the previous classification. The definition of crowding, it will be remembered, comprises those whose dwelling accommodation is limited to one room for two or more persons, and the definition of poverty includes those whose earnings do not exceed 21s. a week for a small family. In addition to the general computation of poverty attempted in the earlier classification, Mr. Booth has obtained evidence on the amount of remuneration in the course of his trade inquiry; and, in spite of great obstacles, which, he confesses, have been only partly overcome, arising from the difficulty of forming in most trades a really representative list of employees, and a truly typical schedule of their wages, and from the uncertainty necessarily attaching to an estimate of the "annual value" of irregular employment, he has endeavoured to connect the evidence based on crowding with that bearing on remuneration. He has reached the result that "as a general rule, taking all occupations together, the line of crowding coincides with the proportion of workers whose wages are below 25s." In the building and the printing and bookbinding trades as high a rate as 30s. must be taken; and in these cases trade-union action, while it has succeeded in raising wages and shortening hours, is either accompanied by great "seasonal irregularity," or has so far overshot the mark that it has driven away trade, while attracting labour. For Mr. Booth, it may be noticed, is not disposed to allow to trade unionist action all that it claims, whether in the way of achievement in the past or of prospect for the future, and he passes upon it a judgment which is discriminating and not entirely favourable. "On the whole," he concludes, "reviewing all the facts," "it seems probable that, if crowding be accepted as a test, the line of poverty lies a little above the figure formerly laid down." But, he adds, the discrepancies between the statistics of remuneration and those of poverty are in many ways more remarkable than the underlying agreement, and it is "abundantly evident that the full amount of nominal wages does not, as a rule, reach the home," but is either not received at all owing to irregularity of employment, or is dissipated in the hands of the recipient by irregularity of conduct.

Passing in the following chapters to other comparisons, Mr. Booth finds that the highest proportion of born Londoners is discovered in the bookbinding trade, and the lowest proportion among the police, that in only a few trades is the age-distribution at each age identical with that of the whole occupied population, and consequently a very large number must change their trade at least once as they pass from boyhood to manhood and from manhood to old age, and that, contrary to some received opinions, the immense number of small undertakings is more noticeable in London than the tendency to exaggeration of

size, which is considered to be characteristic of modern industry. The most notable augmentation of the numbers in a trade is found in the paper industry and among the makers of scientific instruments, especially of electrical appliances; while the decreasing trades are those pursued by the millers, the sugar-refiners, the makers of silk and fancy textiles, the coopers and the shipwrights. Publicans and their assistants have diminished by $17\frac{1}{2}$ per cent. since 1861, while milk-sellers have increased by 82 per cent., the population itself having grown by 50 per cent.

In the third portion of the ninth volume Mr. Booth has been largely aided by Mr. Aves; and in successive chapters what we may perhaps distinguish as the general economic aspects of London industry are reviewed in the light of the statistical material collected and digested in the previous volumes. The limits of space will prevent us from following Mr. Aves' full and careful chapters at any detail, and we must content ourselves with observing that his conclusions are marked by a judicial impartiality and a discriminating insight. He is thoroughly acquainted with the common economic explanations of the facts and incidents of modern industry, and with the speculations, formed with more or less reason, on the directions in which economic forces are moving; and he tests the adequacy of these explanations, and the validity of these speculations, by an exhaustive survey of the statistical material referring to London Life and Labour. Of that material he evinces a mastery, which can only have been acquired by close familiarity with the processes by which it has been collected and arranged. He has performed with ability a task for which the economic student must feel sincerely grateful; and, if he has sometimes confirmed afresh established judgments, he has also not unfrequently shown cause for calling in question received opinions. The variety of London trades, the advantages derived from its vast population, its position and repute as a central emporium, its abundance of labour, and the disadvantages resulting from the absence of coal and iron, and the comparative scarcity of light and space, are duly set forth, and the manner in which these various factors have determined the character of London industries exhibited. The tendency for the work to become more centralised, while the workers themselves live in more scattered homes, the reasons for the prevalence and vitality of small industries, the decay or disappearance of apprenticeship, the strength and weakness of trade-unionism, the actual duration, and the possible results, of a diminution of the hours of labour, the advantages and drawbacks of different methods of remuneration, the causes and consequences of irregularity of employment, are then successively considered; and in the following chapters, which are the joint work of Mr. Aves and Mr. Booth, rates of wages, choice of employment and industrial remedies form the topics of discussion; while in a concluding chapter from Mr. Booth's pen the subject of expenditure and the standard of life is treated. The spirit of sobriety and impartiality—

optimistic in its tendency, but not unduly favourable—which pervades this chapter, is in keeping with that which has animated the whole work, and may be commended as a model to social inquirers. We can only wish that the effect on their minds may be as enduring as we venture to anticipate will be the fame of Mr. Booth himself as a pioneer and promoter of statistical investigation. We are sure that this is the reward that he himself would most desire to obtain; and few, if any, of his readers will be disposed to deny him a satisfaction which he has fully earned.

L. L. PRICE

The Story of a Great Agricultural Estate. By the DUKE OF BEDFORD. (London: John Murray. 1897.)

First Report of the Woburn Experimental Fruit Farm, 1897. By the DUKE OF BEDFORD and SPENCER U. PICKERING. (London: Eyre and Spottiswoode. 1897.)

THE Duke of Bedford has told in authoritative detail a story, the broad outlines of which many great English landlords will recognise as analogous to facts which have come within their own experience; while not a few agrarian reformers, reading the account, will be forced to the dilemma either of dismissing it as the unique record of an exceptional estate, or of admitting that some of their cherished ideas have partaken more largely of the mythical than of the real. They cannot fairly accuse the Duke of exaggeration; for his book consists in the main of a series of tables, in which the actual facts and figures are set forth in their naked simplicity. He has certainly shown, beyond possibility of refutation, that a great landlord, or family of landlords, may administer an estate on principles which, in the whole series of years comprised in the story, have resulted in comparatively small gains, and in some periods of agricultural depression have issued in actual loss, to the owners; while tenants, labourers, and the community at large have profited by their enterprise, ability, and expenditure. As the Duke argues more than once in the course of his narrative, he and his predecessors may not have been guided in their actions by strict "commercial principles"; but no candid reader, who carefully peruses the tale of drainage operations, of cottage building, of farm equipment and maintenance, of remissions and reductions of rent, can doubt that it has been of general advantage that one section at least of the directors of industry should have been content with a reward, which would be scouted as inadequate by the ordinary business man engaged in commerce, and regulating his conduct by "commercial principles." The English landed classes as a body have generally acknowledged that their duties to their tenantry have not ended with the receipt of rent; and the more considerable of their number have been able, with the help of resources often derived from other property, to maintain a tradition of stimulating improvement, and of undertaking costly un-

remunerative experiment, which the pressure of narrow means has prevented the smaller owner from ever acquiring, or at least from preserving in times of depression. Among this class of agricultural pioneers the Earls and Dukes of Bedford have long held an honourable position; and the present Duke has now enabled the public to study the actual figures of the receipts and expenditure upon his estates. In the third chapter of his book he sums up the "financial results" of the policy of himself and his predecessors; and we may quote his actual words as an apt epitome of the contents of the other chapters of his instructive story.

"On Thorney," he writes, "the expenditure from 1816 to 1895 amounted to £1,598,352, and on Woburn from 1816 to 1895 it was £2,632,186. After spending nearly four and a quarter millions sterling since 1816 on some 51,643 acres of land, a large proportion of which is some of the best wheat land in England, and after excluding all expenditure on Woburn Abbey, its parks and farm, it will be seen that at the present time an annual loss of more than £7,000 a year is entailed on their owner. Of the sum laid out on the properties by the Dukes of Bedford there was spent on new works and permanent improvements :—

Thorney, 1816-1895	...	...	...	...	£265,155
Woburn, 1816-1895	...	...	...	...	£537,347

The average net income derived from Thorney during the past twenty years is only 2½ per cent. interest on the capital outlay for new works. From Woburn the return on the capital outlay for the same period, and calculated in a similar manner, amounts to barely 1 per cent."

These are figures, which may well be borne in mind by social speculators when they are weighing the probabilities of loss and gain involved in the substitution of land nationalisation, or a peasant proprietary, for the present system, or when they are estimating the real importance of the economic conception of an "unearned increment" in the case of agricultural land in old countries like England during recent years. It is true, as the Duke freely admits, that an entire withdrawal of the customary subscriptions to churches and schools, and of the traditional expenditure on other charitable objects, would have transformed the deficits on the Beds and Bucks estates in the nine years, in which they have occurred, into small surpluses. It is also true, as he urges with some feeling, that the existing pressure of imperial and local taxation, apart from any increase occasioned by the new death duties, is responsible for no small portion of the burden, amounting, according to his calculation, in eighty years on the Thorney Estate to nine-tenths of the net income. And further it is true that expenditure on cottage building is certainly not directly remunerative, and that the return to allotments and small holdings is problematic. But these are responsibilities which it is customary for a great landlord in England to undertake; and to decline their burden, whether

willingly or from hard necessity, would be to follow a course of action which does not promise to conduce to national prosperity. Accordingly it is with some justice that the Duke evinces a disposition to quarrel with economic writers like Mill, who have supplied the social reformer with weapons for assailing the landlord, or, if they have not actually furnished the attacking instruments, have used language which, carelessly interpreted by laymen untrained in discerning or appreciating the nicety of theoretical distinctions, has been crudely, if not mischievously, applied to practice. Much of the common use of the highly theoretical conception of the unearned increment, and of some other refinements of the general theory of rent, might, we think, be brought under this condemnation; but the Duke himself, we must add, is not entirely free from the fault of giving a large, and even loose, interpretation to the *obiter dicta* of economists such as Adam Smith, when they tell for the landlord and not against him. We admit that the greater amount of error seems to have arisen on the other side, and that such a protest as he has made is inopportune.

Apart from the main portion of his story the Duke's treatment of incidental points, such as the conversion of arable into pasture, which he does not entirely approve as economically profitable, and the details of cottage building, will, we imagine, be of service to practical agriculturists; and he shows abundantly that he is no arm-chair theorist, but, like his ancestors, has taken a lively interest in the details of agricultural practice. The First Report of his Experimental Fruit Farm, which abounds in technical, but valuable, particulars—the results of systematic experiments, scientifically conducted and observed—proves that he is still pursuing with public spirit the traditional policy of his family in initiating agricultural advance.

L. L. PRICE

Outlines of Economic Theory. By HERBERT JOSEPH DAVENPORT.

• (London: Macmillan & Co. 1896.)

THE activity of production, which is characteristic of economic study at the present time in the United States of America, has found vent, not merely in the issue of a growing number of special periodicals, nor only in the publication of an increasing quantity of monographs, but also in the writing of general text-books. To these text-books Mr. Davenport has added a fresh volume. He states indeed in his Preface that his book was "not originally projected as a text-book"; and he adds that it is not now "directed primarily to teachers." But, on the other hand, its origin is confessedly to be sought in "work in the class room," and he has thought it "desirable to retain the text-book manner of presentation." Accordingly the various topics treated in the different chapters are introduced by "suggestive questions," and are similarly followed by a "wide selection of questions, serving in part as a review of the text, and in part to indicate the bearing of the theoretical discussions upon subjects of current and practical interest."

The merits and defects of the book may, we think, be traced in a large measure to the method of presentation. On the one hand it undoubtedly suffers to some extent from a want of unity. The various chapters present the appearance of separate lectures, rather than a continuous treatise. The questions, especially those at the beginning of the chapters, seem in some instances to be somewhat remote from the strict subject, though the actual experience of the class room may have shown that they are calculated to arouse the attention of the student, and to direct his thoughts into appropriate channels. To take the first chapter alone, the ordinary reader might be surprised, and perhaps deterred from reading further, when he found Mr. Davenport writing thus:—"Ask yourself some unanswerable question about Electricity. About Light, Ether, a Flower, a Chair, a Dab of Mud," or "From the point of view of how many sciences can you discuss a stick of wood?" But a teacher would be more likely to discern the relation of these questions to some important data, which supply the basis for a competent knowledge of economic principles; and, if the reader persevered, he would find that in Mr. Davenport he possessed a guide qualified to lead him safely through some of the more intricate problems of economic theory and practice. For Mr. Davenport shows, not merely by passages quoted from authors of repute in the notes appended to the chapters, but also in the main body of the text, that he has consulted the best authorities, that he has read them with appreciation and insight, and that he has brought to bear on their reasonings and conclusions an able independent mind. It would not perhaps be correct to say that he had made any extensive original contribution to the development of economic theory; but he has, we think, succeeded in setting its "outlines" in a clearer light by means of apt illustration, or acute illuminating criticism. He has acquainted himself with the more recent as well as the older speculations. He is, for example, aware of the newer definitions of wealth, which avoid some ancient difficulties. He adopts the broader conception of economic motives, which is incompatible with the narrow popular notion of selfishness as the guiding principle of economic action. He recognises the central importance of "value," and looks with favour—perhaps exaggerated—on the Austrian emphasis of demand as determining value. We believe that, though his book may not have been "primarily directed" to teachers, it is they who will derive the greatest benefit from it. They will certainly find in its pages an abundance of questions to ask their students; and they will also, we think, be themselves stimulated to independent reflection; and, if they do not always agree with Mr. Davenport, they will certainly be forced to seek diligently for reasons for dissent. The ordinary student, without the guidance of a teacher, might find some difficulty in following the reasoning; but, with this help, he is likely to understand Mr. Davenport's argument, and thereby to secure and retain a more certain and tenacious grasp of economic theory.

L. L. PRICE

The Theory of International Trade, with some of its Applications to Economic Policy. Second Edition. Revised. By C. F. BASTABLE. London : Macmillan. 1897. Pp. 183.

THE second edition of this work maintains the high position which had been won by the first edition—that of the best manual on the most difficult part of Economics. The alterations which have been made are not considerable; indeed there was not much room for improvement.

A complete enumeration of minor changes will not be expected here. I confine myself to passages in the new edition which reflect on my articles on International Values (in the *ECONOMIC JOURNAL* for 1894). I trust that this friendly interchange of criticisms will belie the opinion which has been sometimes expressed that economic controversy never results in conversion.

For my part I at once admit that on one of the most important points on which we differed, Professor Bastable was right and I was wrong. I refer to my conclusion that there is an essential difference between the action of import and that of export taxes.¹

The distinction which I drew holds good of certain taxes in "kind," but not in general. An extreme instance will afford the simplest illustration. Confining attention to two nations, A and B, suppose that B's demand for the goods of A is so urgent that, if the terms which have been set up in the international market become varied to the disadvantage of B, she will still continue to demand almost as much of the produce of A. Let a tax in kind be imposed on the exports from A, and suppose that the intercepted produce is consumed by the Government, or at any rate not sold to any of the customers of A; under such circumstances the amount of A's produce which is sold to B being diminished, the value thereof, the amount of B's produce obtained in exchange, may be increased. The producers in A may not only not be injured, but may be positively benefited by the export tax. A similar possibility does not exist in the case of an import tax in kind. In that case the home country could at best only just escape being damnified. This distinction between exports and imports holds good with respect to restrictions and in general decrease of productive power (the converse of the "improvement" discussed by Mill in his chapter on International Values).

But the distinction does not hold good with respect to ordinary taxes. The extreme case above put may again be employed for the purpose of illustration. When an export tax payable in money is imposed in A, if B continues to demand the same amount of produce at a higher price, the price will rise to the full amount of the tax. The producers in A will obtain (exclusive of the tax) just the same amount of B's produce as before, but not by any possibility more. Export and

¹ *Theory of International Trade*, 2nd edition, p. 116, referring to *ECONOMIC JOURNAL*, vol. iv.

import taxes are now symmetrical. For further explanation I refer to the recantation which I had already made in the *ECONOMIC JOURNAL* of last March.¹

The error was probably occasioned by too exclusive attention to the case of two commodities such as the "cloth" and "linen" of Mill. With reference to barter of this sort an export tax is naturally conceived to be in *kind*. I suspect that a similar abstraction may have led Professor Bastable to assert as general a proposition which is true only of the particular case of two commodities. I refer to a question of some theoretical interest which was suggested by Professor Sidgwick's theory of international trade. Professor Bastable thus states the case:

He [Professor Edgeworth] invokes the authority of Mangoldt in support of his proposition, that even under the unreal hypothesis of two countries with commodities produced at constant cost and cost of carriage altogether absent, there may be a commodity "produced in both countries, exported from one, and imported into the other," but he hardly realised the difficulties involved in such a conception. Under the supposed conditions, a country partly importing and partly producing for itself, sacrifices the gain that would be made by importing that part of the commodity raised at home; the other country likewise, if only exporting part of its production of the article in question, is also incurring loss by not exporting the whole. The weak point in Professor Edgeworth's position is most prominently shown in his statement that the common commodity C "occupies an intermediate position between imports and exports, as may be verified by remarking that after the trade has been set up, neither country can gain by either exporting or importing C." From this it surely follows that neither country will either import or export C, since there is nothing to gain by so doing, and this is what would probably happen in the case of a commodity on the margin between import and export. (*Theory of International Trade*, 2nd ed., p. 182.)

Professor Bastable here refers to a case put by Mangoldt which I had thus reproduced.

Mangoldt begins by following Mill's supplementary sections dividing the subject according as the demand for a commodity is or is not inversely proportional to its price [according as "the (real) cost for the sake of obtaining it is always the same," or not]. Under the first head Mangoldt considers first the case of two variables. . . . Mangoldt then goes on to the case of three or more variables. (*ECONOMIC JOURNAL*, p. 630, and reference in note 4 of that page.)

"If trade is opened between two countries, the commodities previously produced in both countries will now fall into two groups, each produced altogether in one country. . . ." "This simple truth Mangoldt complicates by positing a commodity as it were intermediate between the two groups." (*Ibid*, p. 631.)

"Mangoldt illustrates this conception by the following example. Let the costs of production of the three commodities A, B, C be in the first country

¹ Vol. vii. p. 53. See also p. 50, note 2 (referring to the symmetry of taxes on sales and on receipts in domestic trade); and p. 230, note 3.

2, 3, 4 respectively, and in the second country 4, 2, 3 respectively, as shown in the annexed scheme.

	A	B	C
I.	2	3	4
II.	4	2	3

"And let the amounts demanded by each country before the opening of the trade be as follows:—

	A	B	C
I.	1,000	800	600
II.	500	750	600

"Then by hypothesis (according to the definition of the first class of cases)¹ country No. I. lays out a constant cost of $1,000 \times 2 = 2,000$ units of her productive force—in procuring commodity A for her own consumption, 800×3^2 on B; and so on. Employing this datum, by a tentative process, Mangoldt reaches the conclusion that A will be produced in No. I. only, B will be produced in No. II. only, C will be produced both in No. I. and No. II. Of A there will be produced in No. I. for her own consumption 1,000, for export 1,333 $\frac{1}{3}$. Of B there will be produced in No. II. 750 for her own consumption, 900 for export. Of C there will be produced in No. I. 533 $\frac{1}{3}$ for her own consumption, and there will be imported 66 $\frac{2}{3}$; and in No. II. there will be produced 600 for her own consumption, and there will be exported 66 $\frac{2}{3}$. The new values are:—

$$A : B : C :: 2 : 2\frac{2}{3} : 4$$

"Here C occupies an intermediate position between exports and imports, as may be verified by remarking that, after the trade has been set up, neither country can gain by either exporting or importing C. For it costs 4 units of productive force in No. I., and 3 in No. II.; and the produce of 4 units of No. I. is equivalent on the international market to the produce of 3 units of No. II. . . ." (*Ibid.*, p. 632.)

Professor Bastable's solution of this problem is, as I understand, that country No. I. will obtain its whole supply of commodities B and C by importation from country No. II.; No. I. will produce only A, partly for its own consumption, partly for exportation. I submit that this arrangement would not be, under the given conditions, in economic equilibrium; it would be the interest of some of the parties to disturb it. This appears by considering the rate of exchange which, according to Professor Bastable's solution, must prevail between what may be called the "units of productive power"³ in the respective countries.

By hypothesis the number of such units is in No. I. 6,800;⁴

¹ Here reference is made to the definition above quoted (p. 398).

² In the article this factor is omitted by a misprint.

³ The term is sanctioned by Professor Bastable (p. 22-24). The conception might be facilitated by imagining each country to employ a monetary standard corrected by proper index-numbers, so that the efforts and sacrifices incurred in procuring a unit of the standard money should be constant. The rate of exchange between the units of these corrected standards in the respective countries is the key to the problems of international exchange.

⁴ The hypothesis of a limited amount of productive power is proper to the conception of constant cost. For otherwise economic equilibrium could not exist. Any one party might cut out all competitors by greatly increasing his production, and slightly lowering his price.

and of these 2,000 are spent in producing A for home consumption. According to Professor Bastable the amount of A produced by the remaining 4,800 is exchanged against the imports from No. II. But since by hypothesis No. II. has 5,300 units of productive power and of these expends 1,500 on B and 1,800 on C for home consumption, the exports from No. II. must be the produce of 2,000 power-units. Thus the product of 4,800 power-units of No. I. is exchanged against the product of 2,000 power-units of No. II.; or one unit of No. I. is equivalent to $\frac{5}{12}$ of a unit of No. II.

Now by hypothesis, No. I. employs 2,400 of its units in procuring C, and procures it, according to Professor Bastable, altogether by international exchange. According to the terms of that exchange an inhabitant of A with one unit of productive power obtains the product of one of B's units, that is, $\frac{5}{12} \times \frac{1}{3}$ of C. But by hypothesis a unit of force in A laid out in producing C at home would procure $\frac{1}{4}$ of a unit of that commodity. Accordingly some of the productive power in No. I. will be diverted from the production of A for export to the production of C for home consumption; the proposed solution does not satisfy the conditions of economic equilibrium.

What Professor Bastable describes as the weak point in my position will perhaps appear on reflection to be one from which his position may be effectively attacked. For the proposition in question lays down, no doubt carelessly, the conditions of economic equilibrium. Let it be proved by reasoning analogous to that above employed that county I. cannot produce *all* the C which it requires. It will then import C up to a point at which it has nothing to gain by importing an additional amount of C, rather than producing it at home. At the same time No. II. has nothing to gain by increasing its exports of C. I do not mean that the countries have no interest in setting up the trade in C; but that "after the trade has been set up," when economic equilibrium has been reached, the *marginal* utility attending a variation from the position of equilibrium is zero. Surely, that is now a received principle.

The principle may be employed to solve the problem not only more correctly than Professor Bastable, but more directly than Mangoldt. In equilibrium a power-unit of No. I. must procure the same amount of C, whether it is laid out in producing or in purchasing C. Therefore a power-unit of No. I. must be equivalent to three-fourths a power-unit of No. II., since three units No. II. produce as much C as four of No. I. The rate of exchange between the units of productive power being found, the quantities produced and consumed in each country, which it takes Mangoldt some pages to discover, may be written down almost by inspection.¹

¹ *E.g.* By hypothesis there are laid out by No. II. on A 2,000 power-units of No. II. = $\frac{8000}{3}$ power-units of No. I. = $\frac{4000}{3}$ units of A produced in No. I. = 1333 $\frac{1}{3}$, as found by Mangoldt.

An easy transition leads to another of Professor Sidgwick's doctrines, which I have endorsed and Professor Bastable disputes. I refer to the following important passage in Professor Sidgwick's *Political Economy*:¹

Suppose a country (A) so thickly populated that additional agricultural produce could not be obtained from the soil except at a rapidly increasing expense, and suppose that one-third of its actual produce of this kind—say for brevity its corn—is now consumed by persons engaged in its direct branches of manufacture. Suppose that the country, having been strictly protected, adopts free-trade, and that consequently the manufactures in question are obtained at half the price from another country (B) in exchange for corn. . . . What then are the manufacturing labourers thrown out of work to do? . . . there seems no general ground for assuming that they will all be able to find employment in A as remunerative as that withdrawn from them. . . . No doubt, as the cost of production in agriculture may be assumed to increase continuously, a certain amount of additional labour may now be employed in agriculture. . . . but if the additional labour is only applicable at a rapidly increasing cost, . . . it is theoretically quite possible that a portion of the labourers thrown out of manufacturing employment could not in the present condition of industry be employed in A in agriculture so as to yield any surplus above their own consumption.

I have not space to quote Professor Bastable's criticisms of this passage in full; but I trust that no injustice is done by the following abridgment of them:

(1) "The essential condition for international trade is a difference in comparative cost; but if the corn of country A so rapidly increases in cost as additional amounts are required, it seems plain that the difference in the costs of production of corn and manufactures in A and B will diminish and finally disappear, at which point, the utility of the trade ceasing, the trade itself will cease.

(2) "The policy of protection would place a premium on the emigration of agricultural labour from A . . . the protected country A would suffer in population by a restrictive policy"—except in special circumstances—before the opening of trade.

(3) "The opening of trade between A and B, if it displaces manufactures in the former, must so far displace agriculture in the latter . . . so that some of its [B's] agriculturists will be compelled to emigrate to A, and will find more advantageous employment in that country, i.e. until the rapidly increasing cost of production removes this advantage, when trade will cease" (pp. 164-6).

I am unable to interpret the first objection consistently with my idea of the case. I had imagined a landed interest employing the portion of the agricultural produce not consumed by the owners and cultivators in the purchase of manufactures from a landless class. On the opening of trade the landed interest transfer their custom to the manufacturers in B, and the manufacturers in A are left to starve or

¹ Pp. 497-8. Cf. *Economic Journal*, Vol. IV. p. 49 and p. 621; and *Theory of International Trade*, 2nd edition, p. 163.

emigrate.¹ Or if, as Professor Sidgwick supposes, "a certain amount of additional labour may now be employed in agriculture" in A, there will soon come a point in which, as Professor Bastable puts it, "the difference in the costs of production of corn and manufactures in A and B will diminish and finally disappear." There comes in general such a point in the case of cost varying with quantity produced.² At that point there will cease not "the trade itself," but the expansion of the trade; that point is the position of equilibrium, at which the flow of trade becomes steady. Here, as in the preceding discussion, we must distinguish "the utility of the trade ceasing" in the ordinary sense of the words, from that cessation of the marginal utility attending a variation in the amount of exports and imports which is the condition of economic equilibrium.

The second objection appears to me not theoretically unsound, yet not applicable upon probable suppositions as to the circumstances. There is first the hypothesis proper to abstract international trade that there is no mobility of labour between the countries either before or after the opening of the trade. The decline, rather than the emigration, of the manufacturing classes might then be the result of the opening of the trade. There is next the hypothesis proper to concrete international trade, that the mobility of labour is obstructed by friction which can only be overcome by strong pressure. In this case the manufacturing population of A would emigrate, when they were threatened with starvation, after the opening of the trade; but the agricultural population would not have emigrated before the opening of the trade, if they were tolerably well off. Such a kind of "friction" must surely be supposed in any serious treatment of such problems. Professor Bastable himself has well described it among the "general features of international trade" (Chap. I., p. 9).

Similar remarks apply to the third objection. Unless we suppose the fluidity of *domestic* trade—and that in a quite ideal degree—why should the agriculturists, who may have to emigrate from B after the trade has been opened, flow to A? Why not to other countries where there is an opening for agriculture; from resorting to which they were

¹ Professor Sidgwick has informed me that his attention has been called by Mr. Leslie Stephen to a parallel passage in Torrens's *Production of Wealth* (p. 227), which was unknown to him (Professor Sidgwick) at the time when he composed his *Political Economy*. Torrens's statement and solution of the problem are substantially identical with those which I have given; except that he employs, instead of an elastic margin of cultivation, the wooden hypothesis that "no additional supply of food and material can be extracted from the soil."

² The statement that the difference in the costs of production disappears at the point of equilibrium is true in general, where the costs of both commodities are supposed to vary with the quantity. But if in our example the cost of manufactures is supposed constant, it might well be that the difference in the costs would not disappear. B's imports of corn would increase up to a point at which the terms become so unfavourable that B has no advantage in importing rather than producing corn. At that point the ratio of the cost of corn to that of manufactures may be less in B than in A, manufactures being no longer produced there.

previously deterred by "friction?" In fine, it is not a very popular argument in favour of free trade that it tends to replace part of the native population by foreigners.

There remain some minor issues relating to the interpretation of Cournot (Bastable, *Theory of International Trade*, 2nd ed., pp. 38, 44, 179, referring to *ECONOMIC JOURNAL*, vol. iv.). But the continuance of this controversy appears to be hardly justified by its importance. Suffice it to express the summary judgment that on the one hand Professor Bastable's further explanations are quite satisfactory, and on the other hand that my observations were not uncalled for.

As to the more serious questions at issue I submit that there have been mistakes on both sides.

F. Y. EDGEWORTH

Istituzioni di Scienza delle Finanze. AUGUSTO GRAZIANI.
(Torino: Bocca. 1897. Pp. 715.)

THE scope of this work is theoretical. The description of actually existing taxes is introduced in order to illustrate the general principles of taxation. This combination of the concrete with the abstract is very happy. Especially with respect to the finances of Italy, the reader obtains much valuable information, enhanced by being, as it were, set in a frame of theory.

The author is conversant not only with the theory and the facts, but also with the literature of finance. Both in the chapter devoted to the history of the science and throughout the work are to be found instructive references to writers whose names will be new to most readers. Particularly serviceable are his lucid statements of the views held by Dutch and German economists, and all whose language or style may render them inaccessible to the general reader.

To learning Professor Graziani adds logical acumen. He possesses in a high degree the quality which a great Austrian economist has called in a good sense "casuistry." For instance, the new remarks (p. 45) on the old question whether services can be accounted as wealth claim attention. In the spirit of the Germans our author distinguishes between a tax and an impost (p. 245.)

"While the tax corresponds to a special service received from the State, the impost is a contribution for the general assemblage (*raggiungimento*) of public objects, and is not referred to any individual service conferred by the community (*consorzio collettivo*) on him who pays the impost."

Possibly, as Leon Say has remarked, all these logical distinctions never brought a penny into the Exchequer. Yet they serve to cultivate a dialectical power which is adapted to the subject. What confident assertions we have lately heard on one side or the other of the question whether money spent by Government on and in Ireland should be set off against her imperial contribution! It requires a

little philosophy to perceive that such questions are not so simple as they look.

The most important *ἀπορία* in the philosophy of taxation relates to the proper distribution of the burden. Our author has brought all his powers to bear on this fundamental question. He criticises his predecessors with great force. Thus, with respect to the principle posited by Cohen-Stuart and other Dutch writers, that the proportion between the utility which one foregoes by having to pay taxes and the total utility obtained from one's income should be the same for all the taxpayers, Professor Graziani pertinently asks: Why postulate this proportionality, and not the equality of sacrifice? His own principle somewhat resembles that of equal sacrifice; in fact, we have not seized the points of difference which he has indicated (p. 305). He thus states his first principle (p. 52):

"The distribution of public burdens should be effected in such wise that each one obtains the greatest possible relative utility, and that the value of the wealth subtracted by the tax should be the same for each one" (p. 52).

"Relative utility," it should be explained, means much the same as, in Professor Marshall's phrase, "consumer's rent" (p. 50).

As we understand, Professor Graziani accepts the analogy between the sacrifice which the taxpayer incurs for the sake of public objects, and the sacrifice which the ordinary purchaser incurs for his private ends. He thus resumes his doctrine (p. 301):

"We know that the tax tends to take away from each and all that quantity of wealth which they would each have voluntarily yielded to the State for the satisfaction of their purely collective wants, and that this quantity . . . should represent for all the same total utility, so as to secure to each the greatest relative utility."

The further explanation of the author's meaning would probably repay a sympathetic critic. We have been discouraged by the preconception, that in order to judge of such a relation as that between maximum utility and equality some mathematical precision is required. But this is the one quality which may seem to be deficient in our author's otherwise complete equipment.

It is interesting to inquire in the case of so considerable an economist, how far this deficiency is serious. Accordingly we shall examine in some detail our author's treatment of that part of the subject which most admits of pure reasoning, namely, the shifting of taxation. In the case of monopoly we have the following argument (p. 335):—

"Let it be supposed that at the price of 5 [francs] per piece a monopolist can sell 1,000 units of his product, that each of these is attended with a cost of production of 2 francs, and that accordingly he obtains a gross return of $5 \times 1,000 = 5,000$ francs, and a net return of $(5 - 2) \times 1,000$ francs = 3,000 francs. Let it be further admitted that any other price, greater or less, than 5 gives a net return below 3,000 francs; it is certain that he will adopt the price of

5 per piece. Such being the circumstances, the State imposes a tax of 1 franc per piece; then the net return per piece is reduced to $5 - 3 = 2$, and the net total return is reduced from 3,000 to 2,000 francs. Now, if at the price of 6 per piece the consumption of the product falls to 700, as the cost per piece is 3, the net return is equal to $700 \times (6 - 3) = 2,100$. Granted that this is the highest net return that the new conditions admit, the monopolist will abandon the price 5, which enables him to obtain a net profit of 2,000 francs, to adopt the price 6, which enables him to obtain a clear profit of 2,100. Contrariwise, if the tax were $\frac{1}{2}$ franc, the cost per piece would increase from 2 to $2\frac{1}{2}$; the net profit resulting from the price 5 descends from 3,000 to $(5 - 2\frac{1}{2}) \times 1,000 = 2\frac{1}{2} \times 1,000 = 2,750$, while the clear profit [*lucro reale*] resulting from the price 6 would be $(6 - 2\frac{1}{2}) \times 700 = 3\frac{1}{2} \times 700 = 2,625$, and admitting that the other prices yield profits likewise inferior, the price 5 would be maintained."

The admission which we have italicised being made, the consequence alleged by the author would of course follow. But the admission is inadmissible under the circumstances. For if, when the cost per piece is 2, there is a maximum of profit at the price of 5, then, when the cost per piece is raised to $2\frac{1}{2}$, the price which yields maximum profit becomes greater than 5.¹ That this other price yields profits inferior to what 5 (after the imposition of the tax) does is in general inadmissible.

Professor Graziani proceeds (p. 355) :—

"The monopolist can never shift the tax *in toto*; but he succeeds in shifting it in part and diminishing its burden."

The question here arises, How is the extent of shifting to be measured? The answer which the author would give is, presumably, by the addition to the price consequent on the tax.² This answer seems consistent with his general view, and with those particular passages (pp. 337, 338) in which he impugns Professor Seligman's statements. When asserting the contradictory of those propositions, he implies that he takes the terms in the same sense. Now, Professor Seligman, as I understand, would measure the degree in which the tax is shifted as I have above proposed.³

Thus interpreted, the proposition above quoted cannot be accepted. For the price may be raised in consequence of the tax, not merely by

¹ See this point proved formally and mathematically by Cournot in his *Principes Mathématiques*, Art. 31; informally and in plain prose by the present writer in the last number of the *ECONOMIC JOURNAL* (vol. vii. p. 229).

² The extent of shifting might conceivably be measured by defining that there is more or less shifting according as the loss to the monopolist, consequent upon the tax, is less or greater. But this does not appear to be the definition adopted by the author. It may be worth observing that some, but not all, of the propositions mentioned in the text as false in the primary sense of the term "shifting" would be true in this secondary sense.

³ See Seligman, *Shifting and Incidence*, p. 161 (referred to by Professor Graziani at his p. 338): "The degree to which he [the monopolist] will add the tax to the price" . . . and pp. 151, 152 (alluded to at p. 161).

a part of the tax, but to the full extent of the tax, and even to an extent greater than the amount of the tax.¹

Professor Graziani goes on (a few lines further down, page 336):—

“There may, therefore, be established a partial shifting of the tax, which will be the more probable the greater is the diminution of cost attending the diminution of the gross return.”²

We are unable to interpret this proposition in any sense which is true. It purports, presumably, that the extent of shifting is greater [or less] according as the rate at which the cost of production decreases with the decrease [or increases with the increase] of the amount produced is greater [or less].³ But the greater that this rate is, the less is the degree of shifting (measured as above). There is a repugnancy where Professor Graziani thinks that there is a parallelism.⁴

Professor Graziani goes on (p. 336):—

“If the demand approaches conditions of relative stability, a partial shifting [*la ripercussione parziale*] is probable.”

If we are to understand by “conditions of relative stability” what Professor Marshall has called “inelasticity,” then the proposition asserted appears to be the reverse of the truth. The more that the demand approaches perfect inelasticity,⁵ the less is the increase of the price, *ceteris paribus*.

Professor Graziani may appear here and elsewhere to have fallen into a confusion not surprising in one who considers “the mathema-

¹ Cournot, *Principes Mathématiques*, Arts. 33 and 38. Cf. *ECONOMIC JOURNAL* vol. vii. p. 227.

² Può dunque verificarsi una translazione parziale dell' imposta, la quale sarà tanto più probabile, quanto più diminuiranno i costi, rispetto alla diminuzione del prodotto lordo.

³ I.e. the rate at which Cournot's function $\phi'(D)$ [*loc. cit.*, Art. 29] increases with D .

⁴ Designating, with Cournot, the amount produced by D and the expense of production by $\phi(D)$, we have by his reasoning, for δD , the variation in the quantity produced, consequent on the imposition of the tax of u per piece, $\delta D = u \div \left(\frac{d}{dD} D \times p - \phi''(D) \right)$ where p the price is of course a function of D . *Ceteris paribus* the variation of D decreases with the increase of $\phi''(D)$ (the rate of increase which we understand Professor Graziani to designate), it being remembered that the expression in brackets which forms the denominator of δD must be *negative*, as the profits of the monopolist were at a maximum before the tax (*cf.* Cournot, *Principes Mathématiques*, *loc. cit.*). Whence it follows that the greater [or less] the rate designated as $\phi''(D)$ the less [or greater] is the diminution of the amount produced, and therefore (*ceteris paribus*) the less [or greater] the increase of price which is the measure of the degree of shifting.

This reasoning is independent of the sign of ϕ'' ; and it may therefore be employed to prove that *ceteris paribus* the shifting is greater under the law of increasing returns than under the law of decreasing returns.

⁵ The smaller (in absolute magnitude) the $F'(p)$ of Cournot, the less *ceteris paribus* is δp . See Cournot, Art. 31, equation 4, and the corresponding equation in Art. 38; and compare *ECONOMIC JOURNAL*, vol. vii. p. 227-8 note.

ticians—Cournot and the others—less important.”¹ It is assumed that the conditions which favour the elevation of the price before the tax favour also its additional elevation after the tax. But the presumption is the reverse. The more the monopolist exacts before the tax the less he can exact after the tax. To take an extreme case: Suppose the monopolist to be a sole buyer, and those with whom he deals to be under the necessity of selling without a reserved price, the monopolist will exact the worst possible terms from the seller, will buy at nominal price, and accordingly will have to pay the whole tax. Analogously, the inelasticity of demand favours the elevation of the price, but not the shifting of the tax.

Professor Graziani next discusses the incidence of a tax on the gross returns of the monopolist. He says (p. 336):

“We must distinguish two possible cases. It is well known that the price which is adopted by the monopolist is that which, taken in conjunction with the extent of consumption, procures him the greatest possible net return. Now it may happen that the price which allows him to obtain the maximum net return coincides with that which enables him to attain the maximum gross return; but also it may happen that the price which secures the monopolist the maximum net return is not the same as that which secures him the maximum gross return.² . . . On this last hypothesis shifting is impossible.³ . . . But if, on the contrary, the maximum net return corresponds to the maximum gross return, it may happen that the monopolist may find it advantageous to alter the price. For example, let the price 6 afford a gross product of 10,000, and as the maximum net profit that can be obtained 8,000; and let the price 10 afford a gross product of 9,000 and a net product of 7,000. Where the tax is on a gross return of 10,000 20 per cent.—that is, 2,000 francs—and for a gross return of 9,000 10 per cent.—that is, 900 francs—it will occur that the monopolist, by keeping the price 6, will gain $8,000 - 2,000 = 6,000$ francs; while by adopting the price 10 he will gain $7,000 - 900 = 6,100$. But if the tax were progressive in a less degree, the shifting could not be realised. . . . We must admit in general that this shifting will not occur. . . . Normally it can be maintained [*può ritenersi*] that a tax on the gross returns, or on the net returns, of a monopolist producer cannot be shifted on to other persons.”

Upon this it may be remarked the first hypothesis (coincidence of maximum gross and net return) can only occur when either (a) the monopolist is not free to diminish or increase in his own interest the quantity of product (b) or when the cost of total production is constant, not liable to be diminished by a diminution of production.

The *second* hypothesis is the general case. In this case, according

¹ ECONOMIC JOURNAL, p. 325 note, cf. p. 327 note.

² The explanation of this phenomenon is thus given in the original: “in quanto la diminuzione delle spese inerente ad una produzione minore, od in taluni casi anche maggiore, cangi il rapporto fra il provento lordo e il netto.”

³ For a reason which is thus given in the original: “perchè l'imposta essendo regolata sul prodotto lordo, che è più grande relativamente al prodotto netto minore, da questo dovrebbe detrarsi maggior somma, che dal prodotto netto maggiore, et perciò il prezzo non verrebbe in alcuna guisa mutato.”

to the well-known analysis of Cournot, shifting will in general occur. It is difficult to understand Prof. Graziani's reasoning to the contrary.¹

On the first hypothesis in sub-case (a); (1) if the monopolist is not able to decrease the product, though his net profit would thereby be increased, he bears the whole tax; (2) if he is not able, though (before the tax) it is his interest, to increase the product, it is just possible, but not probable, that he will partially shift the tax by raising the price on the consumers. Next, (b) let the coincidence of the maximum of net and gross profits be due to the fact that the (total) cost of production (though not the quantity produced) is constant, then the price which affords maximum net profits before the tax (on the gross product) will continue to afford a maximum after the tax, whether the tax be simply *ad valorem* or progressive. Thus in the example given by the author, if the net profits are at a maximum before the progressive tax on gross product is imposed, at the price 6, they will continue to be at a maximum at that price after the imposition of the tax. But this *maximum* need not be the *greatest possible* net product. It would not be the interest of the monopolist to vary the price slightly, say from 6 to 6½ or 7; though it might be his interest, as the writer supposes, to vary the price considerably from 6 to 10. The fact that there is a *maximum* of profit at 6 renders it less probable, in view of friction, that the price will be shifted to 10. However, we do not seriously differ from the author's conclusions under the *first* hypothesis; and we admit the ingenuity of his suggestion that under that hypothesis the tax might possibly be shifted.

It is in virtue of his dictum respecting the *second* hypothesis that we altogether differ from his general conclusion that normally a tax on gross returns cannot be shifted. Surely it is not so normally, but only in the particular cases when either the quantity produced, or at least the (total) cost of production, is constant.

One more specimen of the author's method. He argues on the next page (p. 538) that "the more in general that a branch of production is subject to the law of decreasing returns the more probable will shifting be." We submit that the exact reverse of this is true for reasons stated elsewhere.²

A similar, doubtless less serious, deficiency of mathematical precision may be suspected in the treatment of other less complicated, though perhaps more important, subjects—the incidence of international tariffs, and, as already suggested, the equity of taxation.

F. Y. EDGEWORTH

¹ Given, in the original, in the note 3 on p. 407, above.

² ECONOMIC JOURNAL, vol. vii, p. 237 note; and above, p. 406, note 4.

The General Property Tax in California. By C. C. PLEHN, PH.D. (New York: Macmillan, 1897.)

IN this paper—one of the new series of “studies” issued by the American economic association—additional proof is given of the failure of the property tax as it exists in the American States. But Professor Plehn does not attribute the break-down to any defects in the law or in its administration. “The California tax law,” he tells us, “is one of the best property tax laws that has ever been written” (p. 149), and he adds, that his “impression drawn from an extensive acquaintance with the officials concerned with taxation in all parts of the State, is that they are generally honest, faithful and competent” (p. 150 *n.*). Nevertheless, exactly the same phenomena that have been noticed in other States reappear in California. Personal property for the most part escapes assessment. A diagram given by Professor Plehn shows clearly that while the real property returned has risen greatly in value, the personal property has been practically stationary for the last twenty years. (It is actually somewhat lower for 1895 than for 1875, 187 against 199 million dollars). There are, further, gross inequalities in the assessment of both real and personal property due partly to the variation in strictness on the part of assessors, and partly to the greater facilities for evasion that exist in respect to some forms of property.

The irresistible conclusion is, of course, that the property tax should be replaced by a fairer and more scientific system of imposts, but in common with most of his countrymen Professor Plehn seems hardly to give due weight to the effect that American Constitutional law has on the financial system. It is the sovereignty in fiscal matters of each State, taken together with the limited powers of the federal government, that makes it so difficult to devise an adequate set of arrangements. The greatest defects in the property tax are the facilities of escape for property held outside the State or existing in the form of obligations, and the liability to double taxation in various ways, and both are much increased by, if not chiefly owing to, the isolation of the States. Thus it would seem that a radical cure can only be found by more fundamental changes than opinion is at present ready to countenance, but some reform of the present crude attempts to tax property as such will probably follow from the many exposures of these evils made by tax commissions and writers of the standing of Professors Ely, Selman, and now, Professor Plehn.

C. F. BASTABLE

Essais Économiques. By NUMA DROZ. (Paris: Felix Alcan, 1896.)

THE most striking characteristic of this interesting work is probably the adoption by its author of the *international* standpoint. As becomes a Swiss statesman, he starts from the consideration of the interests of

his own country, but he does not hesitate to take a wider range. Like Cobden, with whose general doctrine he is in accord, he recognises the existence of moral duties incumbent on states, though they are not prescribed in the strict code of international law.

In the first group of essays dealing with tariff questions, the doctrine is set forth that customs duties should be arranged on a principle of mutual concession. The provisions of a tariff law ought to be discussed with other countries affected by it, and their interests taken into consideration. The account of the Franco-Swiss tariff war is instructive as showing the evils that follow from non-observance of this principle, and a proposal for "relative free trade" on the basis of duties limited to 10 per cent. is made (p. 75.)

In like manner labour questions, and especially the difficult problem of compensation to injured workmen, are treated by a comparative study of the existing laws and the chief proposals for change. M. Droz holds an even balance between the extreme claims of sentimentalists and the somewhat heartless tone adopted by opponents of all state action. To improve the condition of the working classes ought to be our aim, but reason must determine the best means (p. 236).

Another set of essays examines the new forms of property that have received recognition in the as yet incomplete agreements for international protection of copyrights, patents, trade-marks and designs. Switzerland, as M. Droz notes with pride, holds a special place in furthering this new development. Its peculiar situation and its liberal government enable it to do what other states could not successfully attempt. In this respect it performs a most important service to modern international society, and one which M. Droz has admirably set forth. The increasing relations between the different countries of the world will render this post more onerous and also more imperative in the future.

Curiously enough, the sole ground for criticism is supplied by this international attitude. By long dealing with questions of commercial diplomacy, M. Droz has, we believe, been led to place too much stress on the advantages of agreement and compromise. He very justly ascribes great merits to the system of commercial treaties, but he overlooks its disadvantages. High duties are too often introduced merely as weapons of diplomatic warfare in order to occupy a more favourable position for negotiation. As our author reminds us in a phrase suitable for Lord Salisbury, "*L'état qui n'a rien à concéder n'a rien à réclamer*" (p. 40). Hence, duties are imposed or threatened simply to be removed in exchange for similar removals on the other side, a method which too frequently brings about a war of tariffs if the bargaining parties are not sufficiently yielding. Besides, under this system the consumer's interest is completely overlooked.

The international treatment of labour problems, though not so much affected by this difficulty, is not altogether free from it. If a reform be really needed, it hardly requires international agreement to

make it so. If England had to wait for a general treaty before adopting the factory code, it would almost certainly be waiting still. Combination amongst nations is—M. Droz has shown—a prominent element in civilisation, but it must be added that even in the international sphere there is a place for individual action and example.

C. F. BASTABLE

Socialism and Catholicism. From the Italian of Count Edward Sordoni. By RICHARD JENERY-SHEE, of the Inner Temple. With a Preface by CARDINAL VAUGHAN. 343 pp. 8vo. (Longmans: London, New York, and Bombay. 1896.)

THIS translation of Count Sordoni's "Socialism and Catholicism" is vouched for by Cardinal Vaughan, in the preface, as "for English-speaking Catholics one of the best, if not the very best, handbook on the Social Question to be found in their language." As a statement of the attitude of the Roman Catholic Church towards the Social Question the book is interesting, otherwise the position taken by the author is a very usual one among critics of Socialism at the present day. Socialism is defined in an arbitrary manner; it follows from the definition that it is condemned; then other alternative remedies for social evils are suggested and recommended, in some cases it would seem, so slight are the reasons given, simply because they are alternative remedies. Trade Unions, Arbitration, Conciliation-Boards, Labour Committees, Guilds, Co-operative Societies, Workmen's Clubs, Patronage and Temperance Societies, Savings Banks, Assurance Societies, Pensions for Old Age, Sickness, Accidents and Slackness of Work, Profit-sharing, Credit Institutes, and the whole question of taxation, with many other reforms, are all considered in this volume; but the manner in which these subjects are dealt with is not sufficiently thorough or definite to be useful. For instance, in the two pages allotted to the Currency Question, the author advocates the restoration to "silver of that value in the international markets which through the past was not wrongly assigned to it," but he does not attempt to answer, nor does he even mention, the reasons which have been urged against such a measure.

It is curious that in a handbook for Catholics on the Social Question, no mention should be made of Christian Socialism at the present time or of Christian Communism at all times. Count Sordoni declares the aim of Socialism to be "the constitution of society, in such wise that in its very humblest functions it shall depend entirely on one sole atheistic authority, termed the State, which consequently enjoys unlimited power, whereby it may avail to infringe, and does in reality infringe, upon every law and right in order to limit, obstruct, and destroy individual property, attacking all its elements and all its developments; men themselves reduced to things, to movables, in the almighty grasp of the State." Between Communism, Socialism, Nihilism, and Anarchy, "divergence in reality does not exist—the only

difference is a matter of form." This Socialism, which Count Sordoni criticises at considerable length, he finds in the works of Marx and Lassalle, and to this kind he confines his criticism, for the curious reason that "Marx and Lassalle may find imitators elsewhere, but never any to surpass them." He acknowledges that there are Socialists, "amateur maybe," who "repel with horror the attempts of Communists equally with those of Nihilists and Anarchists," but he dismisses them with a single mention as "the most illogical minds that have ever existed." Yet further on he speaks of Collectivism or Socialism as "only an exaggerated reaction against the kind of disintegration to which the whole social body has been exposed." Why, then, should it be illogical to apply the term Socialism, as it is being applied more and more, to that principle of reaction against social disintegration? It would seem to be only a question of words, but it leads in this case, as in many others, to a confusion of ideas; for Count Sordoni advocates reform on what one must call—for no other word will express the same meaning—distinctly socialistic lines. The programme which would result from any practical attempt to carry out the rules laid down for State intervention by Pope Leo XIII. which Count Sordoni takes as his text, would be considered decidedly socialistic:—

"Whenever, then, either society or any part thereof is threatened with mischief which can in no other way be averted or forestalled, it becomes necessary for the State to intervene. . . . Hence, if through a strike or other combination of workmen there should be impending danger of disturbance of the public peace, or if circumstances were such as that among the labouring population the ties of family life become relaxed; if religion were found to suffer through workmen not having time and opportunity afforded them to practise their religious duties; if employers laid burdens on their workpeople which were either unjust or degraded them with conditions repugnant to their duty as human beings; finally, if health were endangered by protracted labour or by work unsuited to sex or age—in such cases there can be no question but that, within certain limits, it would be fitting to invoke the aid and authority of the State."

It might be argued, as it has been argued quite logically, that only by a complete re-organisation of industry could the State render effectual aid in such cases. At any rate, how could the policy here advocated—State intervention where the welfare of the community, or any part of it is concerned, to be limited in its action by a respect for individual liberty and development—find a more significant name than Christian Socialism.

There is another curious omission in this volume; no mention is made of the economic duties or responsibility of the individual consumer. Yet it is in this direction that the Catholic Church and other religious bodies are most likely to make their influence felt in remedying social evils. If it were understood that, as in the Middle Ages, no good Catholic would "forestall," "engross," or put his money out to

usury, so, at the present time, no good Catholic should buy cheap, ready-made goods or use his capital in such a way as to derive benefit from the harm done to others; then the inconsistency which has so long existed between their religious theory and economic practice would disappear.

The book has been singularly unfortunate in its translator. The reader's attention is distracted on every page from the author's argument by the translator's extraordinary English. Adjectives are nearly always placed after their nouns: "a person human," "measures precautionary." The following sentence from the *Encyclical Rerum Novarum* is a fair example of the style of this translator:—

"If the workman, constrained by necessity or from fear of worse, accept conditions very hard which, because imposed by the landowner or the contractor, to be accepted, whether he will or no, this means to be subjected to a violence against which justice protests."

F. M. BUTLIN

Socialism Notes on a Political Tour. By SIR HENRY WRIXON, late Attorney-General of Victoria, Australia, and Commissioner for Inquiry from that Province. XI. Pp. 330. (London and New York: Macmillan.)

To define the attitude of English working men towards the State and towards politics might well be a puzzling task to any one returning to England after an absence of thirty years, and this seems to have been Sir Henry Wrixon's experience, if one may judge from the rather confused impression left on the mind after a perusal of these pages. But the confusion is not entirely due to the difficulty of the subject: the arrangement is not happy, also the author's preconceptions tend to make him lay such undue emphasis on certain features of the situation as to convey a very misleading general impression.

Sir Henry Wrixon was in 1894 appointed by the Government of Victoria to be one of its delegates to the Colonial Conference, which was held in that year in Canada; at the same time he was given a commission to inquire into some public questions that interested and concerned the "colonists in common with all the more progressive communities in the world."

The first few chapters deal with the author's impressions of Sydney, the Pacific, Fiji, and Honolulu. Then comes a very interesting chapter on Canada. In his account of society in the province of Quebec one feels that the author is describing his ideal state of society: "medieval in tone and free from the divine gift of discontent."

"One is impressed by the virtues that they have preserved in their non-progressive state. Faith that consoles and sustains in life is, surely, still a great gift for men. They are industrious, moral in habits, and love family life. The new woman is unknown among them. A high official in Quebec told me that there was no such thing as Socialism in their province, and

as far as I could learn or see there was not. . . . This, then, is the old order which is giving place to the new. The new order, too, may learn something even from the old. It may learn that there are principles which are active in human nature, and which powerfully influence human conduct, which do not all centre in the enjoyments of this life; that to ignore these in any scheme of human government is to ignore a large part of man."

It is with the preconceived ideas that the new order, or Socialism, will tend to destroy both religion and the family that the author proceeds to inquire into its progress in England. And here the arrangement of the notes does not conduce to clearness. The Socialistic societies are described in the most desultory manner. A short description is given of the Fabian Society, with the number of its members, but without the names of its founders or the length of its existence. A few lines are given to the Social Democratic Federation, with the date when it was started, but not the names of its founders, or the number of its members. Then follow descriptions of the English Land Restoration League, the Land Nationalization Society, the Independent Labour Party, and the New Labour Army. The rest of the chapter is devoted to a criticism of the London County Council. Another chapter is devoted to meetings, and another to "Socialists I have Met." The views of these Socialists are not connected with the different parties, and by what one can only consider to be, except in very exceptional cases, an unnecessary scruple, their names are not given. This reticence in some cases becomes almost absurd. For instance, of what interest can the account of the following interview be to the reader, Colonial or otherwise?—

"I met a lady who holds a high position in the Socialist world of letters, and, like others, felt the charm of her conversation. But her views are already made known to the world by her clever pen."

Certainly these anonymous interviews are not a success. In the chapter on Socialist literature some books are mentioned without any reasons being given for their selection, and a bit of Socialist newspapers and periodicals is given; but the only one to which any explanation is attached is a monthly magazine called *Shafts*. The results to which these researches into English Socialism lead the author are summed up in the last two chapters: "Thoughts of the Man in the Street" and "Religion and the Family under Socialism." But there is no evidence of any kind of first-hand research in them; they simply contain a repetition of the stock arguments. It would be interesting to know why Sir Henry Wrixon did not interview a Christian Socialist when he came to England for the purpose of studying Socialism in this country, instead of assuming, as he could have done anywhere, that, because Marx was an Atheist English Socialists must be Atheists, or because Mr. Belfort Bax calls a Christian Socialist a "singular hybrid," therefore he must be one. Any inquirer who came to England, assuming that Socialism was

necessarily destructive of religion and family life, would find individual Socialists to confirm that idea, as any inquirer who came to England, assuming the reverse, would find individual Socialists to confirm his views; while one may safely say that an unprejudiced inquirer into Socialism, as it is professed to-day in England, might gather that the line which divides Socialist from Individualist is economical and not moral or religious.

F. M. BUTLIN

Le Socialisme et la Science Sociale. Par GASTON RICHARD. Agrégé de Philosophie. Docteur des Lettres. Pp. 199. 8vo. (Paris: 1897.)

THE object of this little volume is, as the author explains in a rather naïve way, to consider Socialism, not as a party to be attacked or defended, but as a confused state of mind which requires enlightenment. If the followers of Marx who desire a state of society and an industrial organisation where competition should not exist would peruse these pages, their minds might be enlightened as to the inconsistency of their programme and the unworkable character of their system. But there seems to be no special reason why they should choose this work in preference to the many others which have been written with the same purpose and on much the same lines. Yet that could be the only excuse for saying again what has so often been said before.

The point the author wishes to make is that the same word Socialism is used to express two different ideas of social progress. "Si pour beaucoup d'esprits le socialisme ne désigne pas autre chose que le progrès de la solidarité et l'ensemble des sentiments et des dispositions propres à favoriser ce progrès, pour beaucoup d'autres il désigne la négation de la propriété et de l'entreprise privées ainsi que la guerre au capital et à l'épargne." While the ideal of the former is that all members of the community should be able to save, the ideal of the latter would result in "la consommation immédiate." Under a Socialist system you might allow any one to perish for want of shelter; but you might not, however many rooms might be empty in your house, receive payment for the use of them. Certainly, when the history of the word Socialism comes to be written, it will be an interesting one. The author of this little volume has laid stress on the difference between the two social ideals which share the same name; but, allowing the correctness of his arguments, it would still be possible to hold that these different ideals are only different interpretations of the same principle.

F. M. BUTLIN

Select Documents illustrating the History of Trade Unionism

I. *The Tailoring Trade*. Edited, with an Introduction, by F. W. GALTON, with a Preface by SIDNEY WEBB. (Longmans, 1896.)

MR. GALTON has been extremely thorough in his search for the records of combination among tailors. When the book was coming out, the present writer went through many bundles of notes, looking for any possible references to the subject, and found four or five extracts from rather out-of-the-way sources. Mr. Galton had, however, already noted them all. A fresh reading of the completed book only detects one slip. In the Introduction (p. xx) the number of combined journeymen about whom the master-tailors complained in 1721 is given as 15,000, although in the document itself, as printed on p. 1, the number is given as "7,000 and upwards." It is important to notice that this had apparently increased to 15,000 by 1744 (p. xxx)—a number equal to the whole membership of the Amalgamated Society in 1894. The only other criticism that one feels inclined to make is that Mr. Galton has not indicated the connection between the events he is describing and the general history of the time. The turbulence of 1767 and the hasty legislation of 1768 would, for instance, be made more intelligible by a reference to the Wilkes riots. But, after all, anything of that kind might perhaps have detracted from the admirable simplicity and force of Mr. Galton's narrative.

For the student of social history this series of fresh documents throws a narrow but continuous stream of light across the two most important centuries of English development. Nowadays, in the necessary reaction from the cataclysmic view suggested by Mr. Toynbee's lectures, one is tempted to think that there never was any "Industrial Revolution" at all. Certainly the formula of a complete change about 1760 from "domestic" to "factory" industry does not apply to the tailoring trade, and yet it is obvious that during the eighteenth century a change did take place even in this most conservative industry. Every word of the men's "Observations" on the Masters' Bill in 1721 (pp. 7-12) shows a consciousness of a new state of things, from the dangers of which neither established custom nor individual good conduct was a sufficient protection.

One effect of the comparatively late date which Toynbee assigned to his Revolution is that it seemed to coincide with the appearance of the *Wealth of Nations* and the new birth of Political Economy in England. Often, indeed, it is implied by writers and speakers that the darker side of that Revolution was actually due to the economic doctrine of freedom. Mr. Galton's documents go to show that in one most important trade the rise of a new industrial spirit, and the exacerbation of the relationship between master and man, preceded by nearly sixty years the publication of the *Wealth of Nations*. The doctrine of freedom does not, indeed, make its appearance in these

documents until 1811, when Francis Place began his work of opposition to the Combination Laws; and that doctrine, coming as it does and when it does, strikes one not as the bald statement of a narrow political philosophy, but as a fundamental *ethical* revolution. In 1811, for instance, the masters' manifesto says, "... paradoxical and incredible as it must seem to all other orders of society, every individual to whom this is addressed knows that his servant is his master—that he is regulated by his servants' rules—compelled to conform to his servants' caprice—dictated to, not in the mildest terms—insulted, menaced, and perhaps ruined if he does resist his servants' law, assume the fit deportment of a master or the independence of a man. Is such a state to be longer tolerated?—will a master be found so cringing and contemptible as longer to submit to so degraded a situation?" (pp. 102–3). The important point about this, and the point which makes it sound so old-fashioned to us now, is its assumption of a natural inequality of right between master and man. Place replied (p. 113), "If the price of labour be left to the mutual agreement of the master and the workman, as in all other cases, the mutual benefit of both parties would be so nicely balanced that they would operate infallibly as a check upon the extortion of either, while skill and industry would be rewarded in just proportion to their deserts." And in this reply there is something more important than the industrial theory, namely, the assumption of natural equality between master and man, the conviction that the State should look upon them as individuals, with the happiness of each one of whom it was equally concerned. The doctrine stated is old-fashioned enough. The doctrine assumed has become the great motive force of European civilisation.

Nothing can be better than the form and arrangement of this book, and it may be hoped that it is only the beginning of a series of monographs on special trades. In particular, the fascinating subject of the Building Trades lies vast and unknown, waiting for the skill and patience of Mr. Galton or some other equally equipped student.

GRAHAM WALLAS

La Proprietà Fondiaria e la Questione Sociale. Studi di ACHILLE LORIA. (Verona and Padua: Drucker. 1897. 3 lire. 16mo. pp. 321.)

THIS is a republication of three papers, namely, (I.) on "The Law of Population and the Social System," an inaugural lecture at Sienna in 1881; (II.) on "Charles Darwin and Political Economy," a magazine article of 1884; (III.) on "The Land and the Social System," an inaugural lecture at Padua, 1891, followed by (IV.) a new paper on "The Nationalisation of the Land." The first is the longest and the most important, though the third is naturally to be coupled with it, if we would see how much or how little the Professor has altered his views after ten years' reflection.

It is right, says Loria, to seek to refer all to a single principle. Mercantilism did not err here but in choosing the wrong principle. The Physiocrats were more nearly right, for they found in the land the basis of all economic phenomena. Their view was made better by Malthus and Ricardo, who "connected with the land in one splendid synthesis all the phenomena of the distribution of wealth without exception" (14, *cf.* 24). Later economists have unhappily given less importance to the territorial element and more importance to "social laws" and the influence of technical or intellectual progress (21, 22), though in Russia and America [for obvious reasons] the land still retains the chief places in economic theory (22, 23).

To Loria the land must always be chief. Whatever moves in economics must have land and population for its origin. But the classical theory of population was imperfect. In the first place it considered the production from the soil to depend entirely on the physical productiveness of the soil, and in the second it considered propagation to be entirely determined by physiological laws. Neither is true. The production may be hindered by the system of property in land, with its centralisation of workers, absenteeism of proprietors, diversion of landlords' rents into luxuries, depression of labourers, and discouragement of tenant farmers. In short, the separation of economic rent from the cultivator affects the thoroughness of the cultivation (25, 26, 32 note). The state of Ireland at the time of writing (1881) was an illustration (34 note, &c.).

Again, as to the propagation, it is not an affair of physiological laws limited only by moral restraint; it depends on the economic condition of the people concerned. If moral restraint were the evident resource of reason against excess of population, it would be found where it is most needed; but the case is the contrary. It is the poorest classes that have the least of it (39, 40, 41), and this is because their economic condition is such that they must of necessity have least of it; their poverty is incompatible with restraint and forethought (42, 62 note). The Professor goes on, more subtilely, to argue that the "want of equilibrium" between food and population might explain the poverty of an entire nation, but not of a class within a nation. It might explain the poverty of primitive society and of Russia now. But it would not explain the poverty of one class in England or in Italy and the enrichment of another class. If there is too little food for the nation, why is not the whole nation poor? Not that, therefore, but bad distribution is at fault (42, 43).

And yet we had heard from Loria that all depended on population? Loria answers the reproach (45, *cf.* 47) by distinguishing direct and indirect dependence. Even in the case just mentioned, of an increasing poor and almost stationary rich class, the immediate cause of the poverty is not the increase of the poor class, but "economic conditions." On the other hand, the ultimate or remote cause of the bad distribution that made the poverty is undoubtedly an increase of population. This

is how it comes (and this is the gist of the whole theory) : "The genesis of the present economical system, of which wages-earning is the fundamental characteristic, must be explained precisely by the phenomena of population, which, by diminishing step by step that breadth of unoccupied lands that secured to each citizen an independence, compelled the non-proprietors to sell their own labour to the classes possessing capital" (46, 47).

More particularly, the rate of increase of population is determined directly by its density (66), for Loria after a laudation of Sadler is forced to admit that the latter is substantially wrong (57 note, to 66 note). "One cause, secular, uniform, unceasing, is pressing on the land, the increase of the human race; this cause, operating in its immensity and continuity, determines a series of successive degrees in the density of population. Now with one particular degree of this density corresponds and is conjoined a particular economical system, involving a particular mode of production, a particular arrangement of property in land, a given system of cultivation, a given relation between property and labour; in short, a particular organisation of social relations. But, the people multiplying and therefore altering the degree of density, all this social system becomes antiquated and inadequate to the new wants." Hence its decay and dissolution, in one of the periods called by Comte "critical" (68, 69). We usually call them times of transition, and find it difficult enough to discover any times that are not so; but this difficulty is rather in favour of Loria's view than otherwise.

The notice of Loria's book on "*Les Bases Économiques de la Constitution Sociale*" (1893) given in this journal (vol. iv p. 76), will enable our readers to amplify the above sketch of the first chapter of his new publication and to anticipate the corrections and additions of the third of the present papers. The chief differences between the Professor's earlier and later inaugural lectures are (1) that in the later he lays even more stress on "free land" and comparatively less on a diminished productiveness (see the present volume, p. 203 note), (2) that a survey is given of the origin and development of associated labour in its various ancient and modern forms, and that (3) the author presents his view of the function of "connective institutions" (such as law, religion, and morality) as allies and instruments of the given economic system.

The other chapters are also well worthy of study. As to the last of them, it might have been expected that Loria would take up an adverse attitude to nationalisers of the land. He is more Conservative than they for the present, more Radical for the future.

J. BONAR

NOTES AND MEMORANDA

IMPERIAL FINANCE AND THE IRISH FINANCIAL RELATIONS QUESTION

To any one conversant with financial problems it must have been apparent that the evidence collected by the recent Commission on Ireland's financial relations and the several Reports of the Commissioners were certain to lead to criticism of the present system of imperial finance in respect to its treatment of the poorest classes in the community. Writing in this JOURNAL before the Report appeared I suggested that the real issue was "a claim of the classes with low wages *versus* the better paid workers and the lower middle classes" (ECONOMIC JOURNAL, Vol. VI. p. 203). Since then several high authorities have taken the same view. Mr. Courtney in particular has urged it with great force in the *Contemporary Review* (May, 1897). But the latest assertion of it is even more important as coming from the Secretary of the Commission, who has had exceptional opportunities for studying the subject in all its bearings. Mr. Holland, in the last number of this JOURNAL, lays down as his "important and central proposition that under the present system the incidence of taxation falls much more heavily on the poorest classes of the United Kingdom" (ECONOMIC JOURNAL, June, 1897, p. 219), and declares that "the skilled artisan and lower middle class families living on incomes of from £80 to £160 a year have conquered for themselves a most favoured position in the matter of imperial taxation" (*ib.*, p. 222), a statement exemplified by contrasting the Lancashire artisan with the Kerry peasant.

Though naturally regarding with satisfaction so complete a confirmation by an independent authority of the position I had adopted, I cannot help protesting against the general doctrine of finance with which Mr. Holland unfortunately associates it. Not content with indicating some ways by which the greatest inequalities might be mitigated, he recalls the antiquated doctrine of Arthur Young against simplicity in the tax system, and declares that we must

"retrace *for some distance* the road followed and forego some of our beautiful fiscal simplicity" (p. 223).

Now in the first place this "retracing *for some distance*" (the italics are Mr. Holland's) is by no means in accordance with Young's rule. That writer—whose competence, be it said in passing, lay in observation, not at all in theorising—desired that taxes should be "very numerous," and defined "a good system of taxation" "as that of bearing lightly on *an infinite number of points*, heavily on none." According to him the ideal tax system would be that of Great Britain in 1820, so humorously described by Sydney Smith, under which imposts were levied on everybody and everything, or the Spanish system of the eighteenth century, which really avoided every appearance of "fiscal simplicity." The truth is that Young's so-called "canon" shows a hopeless ignorance of the conditions of practical finance; and its citation by Cornewall Lewis was simply due to the "scholar's" desire to secure some semblance of authority in support of a particular and transitory set of Budget arrangements. Mr. Holland's re-assertion of it has the further disadvantage that it comes forty years later, and is so much the less excusable.

A far more scientific statement of the idea really held in common by Lewis and Mr. Holland, viz., "that taxation to be fair should be diversified," has been supplied by M'Culloch, who protested against the extensive curtailments of the British tariffs, as he protested against the introduction of penny postage (see the successive editions of his *Taxation and the Funding System*) on the ground that such measures diminished the resources of the Government. The return on our road "for some distance" would be following M'Culloch to the letter.

But by whomsoever advocated, the plan of enlarging our area of tax "objects" is open to serious objection. As suggested by Mr. Holland it rests on the ground that the sole aim of taxation is to secure ideal equity in distribution. There are, however, other aims of equal importance. "Sir R. Peel," said Mr. Gladstone ironically in the debates of 1857, "was ignorant of the philosophy of Arthur Young; he only freed industry." A complex system of taxation may appear to give a fairer distribution of the burden, but if that burden is heavier all round, who is the gainer? The legislation of the period 1840-60 may have benefited some more than others, but it is beyond doubt that all have gained in some degree.

This is still more apparent when we remember the close interdependence of the different classes in modern life. "The Kerry peasant" is affected by the prosperity of "the Lancashire artisan," who buys his "dairy produce"; and the system of Imperial taxation which has allowed of the development of the skilled labourer reacts on the unskilled.

Another important principle in finance is that of "productivity." To raise a large revenue is an essential condition in the modern state. Taxes on most articles of luxury or refinement fail in this respect.

An examination of any customs tariff will show that the really productive articles are few in number. By taxing "lace, silk, fine cottons and linens, delicate foreign fruits, German toys and Parisian sweets" (p. 222), or any of them, we would not add importantly to the revenue, while we would hamper trade, curtail innocent enjoyments, and reduce the sum of utilities. Imports cannot be taxed without either abandoning free trade or levying equivalent excises, but either alternative would be disastrous.

The true remedy for the admitted inequalities in distribution is rather a further limitation of taxation on commodities, such as would confine it to alcoholic drinks and tobacco, with a more moderate treatment of the latter article, compensated by an expansion of direct taxation, and a readjustment of charges between Imperial and local finance.

A good deal has been said as to the necessary use of alcohol in countries like Ireland; but until Mr. Sidgwick's suggestion of an inquiry into the physiological grounds for these assertions is adopted we may ask for some adequate evidence of such need. It is at all events beyond doubt that many Irishmen in the wettest parts of the country are total abstainers, and in no wise suffer thereby. It is also a fact that the large consumption of whisky is a matter of social habit, and is so generally recognised as injurious that intelligent Irish opinion is opposed to any lowering of the duty. To lay down broadly, as Mr. Holland does, that "the object of taxation is not to promote certain kinds of morality" (p. 223) is rather to beg the question. Taxation of injurious articles *may* (I do not say that it does) increase the production of wealth and thereby increase the source of revenue, and it may also raise the position of the nation. It is, besides, an error to assume that Chancellors of the Exchequer aim at the maximum revenue from drink. It is not so very long ago since Mr. Childers rather expressed pleasure at a falling off in the drink revenue, while the last remission was clearly due to the special political circumstances. "Mr. Holland does not notice the difference between a 'reason' and an 'excuse.'" Having regard to the settled policy of civilised nations and to the opinion of financial authorities it may reasonably be held that alcoholic drinks should receive special financial treatment, that they should form the main "object" of indirect taxation¹ and should not be placed on exactly the same line as other taxes in estimating the contributions of individuals, classes or districts.

Much of the present assignment of duties between local and central government is based on no permanently valid ground, and there is therefore room for the devolution of functions and the introduction (1) of fresh forms of local taxation, and (2) of additional imperial contributions which would form a sensible modification of the actual state of things.

The time seems to have come for a comprehensive survey of both

¹ It is noteworthy that Mr. Childers once laid down that they should form three-fourths of the indirect tax revenue.

central and local finance which would supply the Government with materials for a reform of the law which would at once preserve the great and important features of the central financial system, while developing the new forces that the establishment of local government on its reformed basis has brought into play. The Financial Relations Commission will have performed some real service if it contributes to this result; but there is need for much wider and less one-sided inquiries before a definitely satisfactory conclusion on which legislation can be based is reached.

C. F. BASTABLE

MINSTER LOVELL

THE little village of Minster Lovell, situated on the river Windrush, three miles from Witney, and fourteen from Oxford, is known to the antiquary for its old ruined minster and castle, as well as a romantic story attached to the latter; but to the economist it is interesting for an experiment in small holdings, started through the agency of a Company founded in 1846-7 by Fergus O'Connor,¹ which, like many companies formed to carry out a theory, proved a failure; but on whose ruins, worked by private enterprise, has arisen a colony of small holders, who are doing well, and furnish a good illustration of the conditions necessary for the working of the system.

But first a word as to the estate on which the experiment was made. It consists of about 300 acres of arable land, on a slope looking north, and rising gently from the river, and the soil, which is at first stone-brash, and somewhat light, deepens and strengthens as you reach the top of the slope, and move southward. In the original design every holder was to have four acres, and a small house of three rooms on the same floor (a sitting room, with bedroom on either side) and offices behind, situated on his holding. Roads are made through the property, as needed, and, except for the walls, every yard of ground is available for tillage. There are no hedges or boundaries between the lots.

Such was the original plan; and the failure of the scheme arose from the fact that the first holders, chosen by ballot out of the shareholders of the company, were in many cases artisans, unused to agriculture, and unfitted for the struggle to make a living out of their scanty four acres, whether from the produce of the land, or supplementing it by work for farmers, or other modes of earning a subsistence.

Of these original holders none, I am informed, now remain. In

¹ From the evidence taken before National Land Committee, 1848:—

The Minster Lovell Estate, consisting of 297 acres, soil one-third brashy, the rest with clay ten inches below the surface, was bought in 1847 for £10,878. It was then divided into eighty lots, and a small house, costing £100, built on each lot, together with a school-house. The tenants were then provided with £7 10s. per acre to work their holding; and had to pay 4 per cent. on the combined cost of their house, plot of land, and loan.

their place has come, by a process of natural selection, a set of men better suited to the task. They are exceptional men, very sober, thrifty, and industrious; ready to work for much longer hours than other labourers, and showing that pride and interest in their holdings which is the common result of owning or occupying land. Among all those of them whom I have questioned—and I know many of them by constant visits to the place—not one would change his life for any other within his reach. "It is hard work," they all say, "but we're working for ourselves; we get on, and if we wanted to leave, there's always four others ready to take our place. And then, we're free, and can get a day off, without asking, when we want."

With regard to the economic aspects of the question, the following are the facts communicated to me.

Out of the seventy holders about ¹ nine own their holding; but unless they own, by accumulation, ten or twelve acres, or are skilled market-gardeners, they cannot live off it. They need, in addition to rearing pigs and poultry, keeping bees, selling potatoes and other vegetables, to have some other means, of which I will speak presently, of maintaining themselves and family.

The other holders are all tenants, paying from £10 to £14 for their little house and four acres, and, with rare exceptions, they have no leases, only a year's notice on either side is required in case of removal or change of tenancy. The want of leases does not, however, seem at present to be objected to; for the landlords, who have succeeded to the property of the old Company, have acted fairly by their tenants in these bad times, reducing their rents progressively from £18, which was the rent some years back, down to (say) £12 per annum, at the present time. And I do not gather that the want of tenant-right in the various buildings (such as pig-styes, stables, &c.) thrown up by the tenant alone, or with aid from the landlord, has been found to work unfairly. Probably, the landlords have, as sensible men, seen the wisdom of keeping good tenants, who do their own repairs and work their land well; and so have reduced their rents, when it was needed, and made some allowance for improvements on termination of a tenancy. But that on this question of tenant-right and leases depends much of the future of small holdings is, I think, obvious. The chief market-gardener at Minster Lovell, whose land is a model of close and skilful planting of vegetables and fruit trees, has got a lease of seven years. Without it he could hardly have risked so much money.

And if his example is followed by many others of the holders, which may well happen as he is very prosperous, leases will probably be applied for, as well as some security for outlay on fruit trees. There seems, however, a feeling that many market-gardeners on the same estate would not answer. "They would spoil one another's market," or as the local phrase puts it, "would not find a port," especially as

¹ I use the word "about" because the numbers are constantly shifting from various causes.

allotments are springing up near so many of our great towns, where vegetables can be grown, so lessening the demand from elsewhere.

But the successful man, M., does not share this feeling. He believes that there is a future for market-gardening to a much greater extent than at present, if only the right men are found to work it, and where the soil is suitable, and a market is to be found near at hand. He also adds the common complaint about excessive railway charges for freight, and has stories to tell of men who have sent as much as a ton of garden produce to London, and have had to pay, instead of receiving, money for what they sent.

With regard to the great mass of the holdings, the general aspect of things is as follows. Each plot has, as a rule, one strip of corn-land, another for barley, another for potatoes, and on the rest is grown rye-grass, vegetables of various sorts, a few fruit trees, strawberries, and radishes; anything in short which is likely to be profitable. Pigs are generally kept both for food and sale, and above all for their manure. With the barley-meal these are fattened, and on the price of pigs, unfortunately a most variable "up and down" quantity, as well as of potatoes, depends the main prosperity of the tenant. The corn is sent to the miller, and I was informed that a large number of tenants bake their own bread, from their own flour, and, with the exception of groceries and clothing, live off their land. The fowls, of which many are kept, are fed off the refuse wheat, barley, and other grain raised for the purpose, and are either sold to higglers, who make a good thing out of it, or where "a port" can be found, to private customers at the market price. Something here has to be done in the way of co-operation both in sending their goods to market, by a common carrier, and, if possible, by securing a common place of sale. This has been done in Ireland in the case of co-operative butter factories for the small farmers. In England, it is rare to find anything of the kind, even among our large and, presumably, more intelligent farmers.

Other facts I will mention briefly, without attempt at grouping. The wives and children, in ordinary cases, help the husbands. One man told me that "a good wife" who looks after the pigs and poultry, and helped in the lighter garden-work, was one great cause of his prosperity; and he told me, and his wife confirmed it, that neither she nor her family suffered. When the parents are old, they sometimes live on upon the holding, and are supported by a married son or daughter, living in the same house. As to the money needed to work the holding, it is either borrowed, or has been saved in some previous occupation, or credit is given at starting, by the seller of seed or of manure, to men likely to succeed.

The holders, as might be expected, come from very different sources. Some are labourers who have saved money: some have been small tradesmen, and still keep a shop, or pursue their calling as tailors, cobblers, &c.; some, after ploughing and sowing, even go away for distant jobs as masons, plasterers, and the like, leaving the care of

the land and animals to their wives ; some are retired soldiers or policemen with pensions, but all of them have a love of the land, and a capacity for working it, and are ready to take any job in the neighbourhood for which they are suited, whether as labourers or skilled workmen.

And, I have it on good authority, they are a most respectable body of men, contented, healthy, hardworking, and they never come upon the rates. As to the working of the land, I cannot pretend to speak of it with any real knowledge of agriculture. But to an unscientific eye the appearance of the small holdings, with every corner cultivated, and scarcely a weed discernible, while pig-sty, cow-shed, stable, store-house, rise close about the central homestead, is most attractive. As before said, given the right soil, the right sort of man to work it, and a good market near at hand, and small holdings will be successful. At least they are so at Minster Lovell, as much as any agriculture can be in these times of depression.

To this brief description I should like to add a few concluding remarks. The land taken up for these small holdings is not picked land, but much the same in quality as other land adjoining, which, I am told, pays only 10s. to 15s. an acre. The small holders pay—though this includes the homestead—about £3 an acre. They also pay their own rates. Some deduction must probably be made for the cost of collection ; but the rents are well paid, there are few claims for remission, and the land is in high order. As to the amount of stock kept upon it, the number of horses, pigs, cows, as well as poultry, much exceeds what would be kept on any farm of the like size. Fifteen holders have horses, a few have cows, and the amount of pigs and poultry is very large. There are also many bee-keepers, and the business is a profitable one. The yield of fruit and vegetables, which require close and minute attention, could not be equalled on any but the best-worked fruit-farms.

But the thing which most strikes the visitor is the men themselves. They are, doubtless, a chosen body ; but also I cannot doubt that their position elevates them, and greatly adds to their intelligence, independent bearing, and refinement. This I am the more glad to bear witness to, because having been often told that the small holdings at Minster Lovell were a failure, which they were at first, I went there expecting to see slovenly culture, tumble-down dwellings, and an ill-fed low class of people. How different was the impression made on me, confirmed moreover by local authorities, has been here described. Without pretending to be a judge in such matters, I cannot but feel that it would be a national advantage to have more such holdings. Even if it be exaggeration to say, with Arthur Young, "that the magic of ownership" (or small holdings) "turns sand into gold," yet it must surely be true that a more general distribution of land would greatly add to the security of property, and the content of our rural population. Many things may be needed for the full development of the system : loans

to landlords to build small homesteads, co-operative banks to provide capital for the small farmer, and stores to enable him to purchase implements, manure, and seeds of the best quality at wholesale prices. Also, it appears that at present there is less demand for ownership than tenancy of land; and, consequently, some enlargement of the Small Holdings Act, removing its present bias in favour of the sale, as against the letting, of small holdings, may be desirable. The condition of agriculture is at present too unsettled to induce men to sink all their savings, even with the aid of public funds, in the purchase of land, but there are not a few, although scattered over a district rather than gathered in any one parish, who would be glad to hire. And these men are the élite of the working class acquainted with the working of the land.

It must be understood, however, that what has been here set forth is only a humble attempt to show, not what is the best way of doing the thing, which must depend largely on local considerations, but what has been done in one particular place, with the advantages and disadvantages above mentioned. There is at Minster Lovell little grass-land, a scanty supply of water, no special richness in the soil; the holdings are too small to allow any but the most skilful, or holders of at least two plots, to make a living off them, and few have the security of leases, though, it is said, many might have them if desired; and yet, as a body, the holders get along, are contented with their lot, and some have saved enough to purchase their holdings. And moreover, whenever there are vacancies, the demand for the vacant holdings is greatly in excess of the supply. The question, therefore, which I leave to more competent persons to judge of is, whether such a result is not good, and profitable, and deserving, *mutatis mutandis*, of imitation? And I venture to suggest to Colleges and landowners, whether it is not in their power to create little colonies, scattered about the country, like that of Minster Lovell, and therewith to increase the happiness and raise the hopes and ideals of rural England.

The expense of buildings is of course the difficulty. But small tenants will pay more for their holdings than large tenants; and if, as has been suggested, Government would make a loan to landlords for the purpose, at low interest, the interest might be added to the rent. And in any case the new system would only come into effect gradually.

ARTHUR G. BUTLER

THE NEW CANADIAN TARIFF

COLONIAL affairs are, recently, attracting a very much greater degree of interest in these islands than formerly, and rightly so. On all hands the desire is expressed to strengthen the bonds which link together the scattered parts of our great Empire, and much discussion has taken place as to the feasibility of instituting some form of

Imperial Federation. The difficulties which such schemes have been shown to involve, and into which it is quite unnecessary to enter here, have directed men's thoughts to another mode of increasing the interest which every part of the Empire has in the welfare and prosperity of the whole. If political bonds of an enduring nature cannot readily be forged, may not the purpose which these might serve be, at any rate in part, served by strengthening the commercial interests within the Empire, so that the ties of blood and of common loyalty to one Sovereign may be united with material interests in preventing the severance of any part now owning allegiance to the British flag? Proposals for an Imperial British Customs Union have from time to time been made, and there are many who still hope for development on these lines, some from a deep-seated distrust of the policy of Free Trade, others holding that the advantages which they recognise as inherent in such freedom may be outweighed by the political advantages attaching to giving trade within the Empire some advantages over trade with other parts of the world. These proposals have met with sympathy even from many who were convinced that to impose customs duties on food and other products from foreign nations would be the gravest mistake which this country could commit, a mistake by no means condoned by maintaining the policy of free imports when the goods were of colonial origin.

The ground was thus prepared for the more than sympathetic reception which was accorded to the ingenious proposal submitted to the Canadian Parliament in the spring of the present year, and which is embodied in the new tariff, since passed, and now in operation.

The proposal is a simple one, and in this very simplicity consists its ingenuity. The 17th section of the Act contains an offer to any and every nation which will admit Canadian products on terms as favourable as those offered in return. To every such nation Canada offers a reduction of one-eighth of the duties of the general tariff, such reduction to be in force from April 23rd, 1897, till June 30th, 1898. On and after July 1st, 1898, the reduction will be increased to one-fourth, so that every country willing to admit Canadian products at rates as favourable as those given by 75 per cent. of the Canadian general tariff, will be able to claim the privilege for its goods of entry into Canada at 75 per cent. of the rates charged against the more highly protectionist countries. These reductions will not, however, affect the rates charged on alcoholic liquors, on sugar, molasses, and syrups, or on tobacco. It is also provided that the rates chargeable on coal shall not be subject to these provisions in certain contingencies, a minimum tariff being laid down below which this reciprocal tariff shall not reduce the rate charged.

While dealing with the provisions of the Tariff Act, and before proceeding to consider their importance, another point may be mentioned as deserving of notice. Section 18 of the Act confers power on the Governor in Council to reduce a duty or to entirely remit it in any

case where it shall appear after due investigation that the existence of the duty facilitates the operations of trusts, combines, &c., to the disadvantage of consumers. In such cases competition is to be encouraged so far as free entry of competitive goods can encourage it.

Though the reciprocal clauses of the Tariff Act appear to offer equal advantages to all the world, conditional only on the willingness of any country to meet Canada on equal terms, in practice no country but the United Kingdom was held to attain the standard laid down. A later decision includes New South Wales and Burmah among the countries entitled to profit by the reciprocal tariff.

So far, all was straightforward, and it appeared to the casual observer as if Canada had devised a mode of favouring the mother country which might have other important results if the trade with Canada were sufficiently valuable to any foreign country to induce a modification of duties on its behalf. It was soon apparent, however, that serious difficulties were likely to arise. Two treaties of Great Britain stood in the way of the accordance of special terms to her trade on the part of her colonies. The Canadian authorities held that the form of their proposal was such as not to be affected by these treaties, which contained the exceptional stipulation that British goods should pay no lower or other duties in British colonies and possessions than those of the nations with whom these treaties were made. Belgium had obtained this privilege in 1862, the German Zollverein had obtained it in 1865. Protests were soon forthcoming on the part of these nations against the special treatment of British goods, and it was found desirable to grant power to the Governor in Council to extend the benefits of the reciprocal tariff to any country entitled to it by virtue of treaties with the mother country.¹

The Canadian Cabinet still held that the claims of Belgium and Germany were not sound, but opinion in England tended to the opposite conclusion, and men began to talk of getting rid of the obnoxious articles of these treaties, especially as "most favoured nation" clauses of other treaties might extend the privilege still further. Attempts had been made, it appeared, to get rid of these clauses while leaving the treaties otherwise intact, but in vain, and with some anxiety and impatience the development of the matter was awaited. In Germany there was talk of the abandonment of the traditional free-trade policy of Britain, and the beginning of a tariff war of evil import for German trade. This feeling subsided in due course and gave place to a quieter state of opinion.

Now the real position of affairs has been so much discussed that it will suffice to notice here the leading points of the situation. The treaties in question were undoubtedly relics of a colonial policy now fully and frankly abandoned on the part of Great Britain. Ever more and more we have granted to our self-governing colonies the power to

¹ Until August 1st, 1898, Belgium and Germany will be treated on an equal footing with Great Britain. (For the reason of the limitation of date see p. 430.)

arrange for themselves their commercial policy, and they have used the privilege to tax heavily the goods they buy from us. We have been treated exactly as the rest of the world has been treated. For fully fifteen years past none of the treaties of Great Britain have been imposed on any unwilling colony, though several have reserved privileges which the colonies might or might not embrace, according as seemed best to them. In some cases they have taken advantage of the option, in others not. These treaties of 1862 and 1865 therefore are antiquated in that they impose restrictions on British colonial policy which modern views would not for a moment admit. Apart from any commercial question, as a mere matter of the consistent application of political principles universally admitted to be thoroughly sound, we ought to have removed long since the restriction on the freedom of action of the self-governing communities which owe allegiance to the British Crown. But it seemed a matter of comparatively slight importance, hardly worth insisting on at the risk of serious differences and a deepened and more active commercial antagonism between this country and Germany. The disadvantage of this neglect to carry out a sound policy became apparent as soon as Canada had enunciated its new proposals. The denunciation of the treaties had now a motive, but a motive lending itself to much misinterpretation. After some hesitation it was announced that on July 30th notice had been given to terminate the treaties, and they will consequently expire on July 30th, 1898. They may be replaced by other treaties, but the provision restricting colonial freedom will certainly not again appear.

As soon as the offer of special terms to British imports was known, a cry was raised that it was now necessary to respond to the movement of our oldest self-governing colony, and that it would be churlish not to give some advantage to colonial imports into these islands. Some said that Canada expected such a step on our part. This delusion was, however, effectively dispelled by the speeches made by Sir Wilfrid Laurier, the Canadian Premier, when in England. This distinguished statesman said most emphatically that he and his colleagues, in making the offer contained in their new tariff, had no expectation, no wish, that England should abandon her traditional policy of Free Trade. Further, he expressed an emphatic opinion that such a course would be disastrous to England, whose industrial strength is largely dependent on the conditions established by her free commercial policy.

We may be satisfied, therefore, that if preferential treatment of colonial imports into this country is to be defended, its defence will not rest at all largely on the preferential treatment now offered by Canada, the results of which may be discussed apart from any consideration of the establishment of an Imperial Zollverein as a necessary consequence.

First arises the question whether the denunciation of the Belgian and German treaties is indicative of a protectionist policy on the part

of Lord Salisbury's Cabinet. As already observed, the apparent reason of the denunciation is, not to increase colonial freedom, but to obtain for ourselves special terms in a colonial market. There is no doubt, too, that the latter rather than the former is the real reason inducing a very large measure of support to the policy of denunciation. Yet the abandonment of the treaties may fairly be regarded as a free-trade measure. It offers advantages which can only be purchased at the price of abandoning a certain measure of protection. Were other colonies to follow the example of Canada, the strength of the argument might be considerable. Further, the colony that adopts this policy does, in adopting it, throw aside a very considerable measure of protection, inasmuch as the manufactures of Great Britain are as a consequence subjected to reduced duties. About three-quarters of a century since, reciprocity played no unimportant part in our own country's advance towards true freedom of commerce. It must be borne in mind that, practically, the question lay between maintaining the *status quo* and granting freedom to Canada to take this step in advance. At present, Canada is not prepared to give to the United States the advantage of reduced charges on her goods imported by Canada, unless such advantage is reciprocated. Had it been possible, as, to judge from some opinions expressed by competent authorities, it was possible, that "most favoured nation" arrangements would have extended to practically the whole world the advantages claimable by Germany and Belgium, it is clear that the attitude of the Canadian statesmen towards the new tariff must have undergone modification.

The next point of interest which appears to call for notice is the probable extent of advantage which our export trade will receive from the measure. Measured by value, our domestic exports to Canada have been distinctly unprogressive, in fact they have seriously diminished. In 1881 to 1885 they averaged over 8 millions; in 1896 to 1900 they were under 7½ millions; in 1901 to 1905 they further fell to slightly under 6½ millions sterling.

The great bulk of the external trade of Canada is with two countries only—the United States and the United Kingdom. Of her exports fully 90 per cent, a proportion rather increasing than decreasing of late years, are taken by these countries. Of her imports, well over 90 per cent still come from these two countries, though the proportion has fallen since twenty years ago. Consequently in matters of external trade naturally give more attention to the trade with the United Kingdom and with the United States. The United States has been in the exports of the country and, since 1874, especially, has become pre-dominant. More than one-half, nearly 50 per cent, in fact, of the exports of Canada are taken up by the United States. The United States take but little more than a third of the imports, but this, however, of Canadian exports would be a considerable figure. In fact, in the last fifteen years there has been a steady increase in the value of the exports to 1906. The proportion has fallen to 50 per cent, but the value has

from the 43 or 44 per cent. of the decade preceding 1891. Can we wonder that Canada desires to encourage trade with the country which has been her best customer and to put it on a better footing than the trade with a neighbour who refuses to arrange reciprocally favourable terms and is becoming a less important buyer of the colony's products? The United Kingdom is concerned in nearly 45 per cent. of Canada's trade, the United States in nearly 42 per cent., Germany and Belgium together (it may be noted by the way) being concerned directly in but a trifle over 3 per cent. of the trade.

The tariff policy of Canada involves the free admission of, or lower than average rates of duty on, the raw materials of her industry, whether these be crude products or partly manufactured commodities, manufactures for consumption being rather more heavily charged, and luxuries and articles of voluntary use heaviest of all. Hence arises differences in the burden of the tariff on the trade of different countries. As an example we may take the fact that though Canada imported during the ten years ending June 30th, 1896, some 400 million dollars' worth of goods (entered for consumption) from the United Kingdom, and about 528 millions from the United States, the duty collected from the former was some 87½ millions, from the latter hardly 75 millions. The average rate levied on British goods was therefore about 22 per cent., against less than 14½ per cent. on the imports from the United States. The reason may be seen by considering the proportions of free and dutiable goods received from each country during the last three of the ten years (lacking these details for the whole ten). During these years 51 per cent. of the imports from the United States were free goods, but only 27 per cent. of the imports from Britain.

The average rate of duty on dutiable goods from Britain in 1895-6 was practically the same as the average rate on all dutiable imports, viz., 30 per cent. The rate on imports from the United States was under 27 per cent. This comparison may be expanded by considering the cases of France and Germany, the former of which had less than 12 per cent. of free imports, while the average rate of duty on those of her imports which were dutiable was 41 per cent.; the latter, with some 14 per cent. of free imports, had the balance of dutiable goods charged at an average rate of 26 per cent. These figures will serve to illustrate the difficulty of estimating with any precision the effects of changes in the tariff, since changes in the goods entering into the trade may probably become important and mask in part the lightened burden of customs duties. The best measure of the extent of advantage offered to British exporters will probably be found in examining the rates of duty charged, on the average, on different classes of Canadian imports, especially as the new tariff involves no radical rearrangement, but rather a number of lesser modifications of the previous tariff, involving in some cases increased duties, in others decreased rates; in some cases the classification is simplified; in some cases we find *ad valorem* duties substituted for specific duties, though the latter are by

no means eliminated from the schedule. With prices still falling, the changes to *ad valorem* duties may involve considerable gain to importers.

A word in passing may be not be out of place as to the fall of Canadian prices. The *Canadian Statistical Year Book* for 1895 supplies information enabling a comparison of prices on the lines of Mr. Stephen Bourne's well-known methods, methods still followed by the *Economist* in its annual reviews of British trade, to be made. It appears that since 1891 the fall in the prices of Canadian imports has exceeded the corresponding fall in prices of English imports, reaching to over 19 per cent. by 1895, so that the 105 million dollars' worth of imports entered for consumption in 1895 would have cost, roughly, 130 millions at the prices of 1891. It is at least possible that the apparently decreasing volume of imports from Great Britain may be, in the main, merely the outcome of a fall of price. If it be contended that the trade with other countries has increased, it is possible to maintain that, just as the same tariff schedule applied to imports from Great Britain and the United States results in different average rates of duty, so the fall of prices may be different for the two sections of the trade. It is risky to deduce any formal result from such facts without a separate investigation as to the actual average fall of price in the separate sections of the trade. The comparatively slow growth of Canada's imports may, however, with some certainty, be stated to be an effect of price-variation to a large extent. Between the five years 1882 to 1886 and the five years 1892 to 1896 the growth was only about 4 per cent. as measured by value. The growth in volume was almost certainly very much greater than this, and the slow increase should not lead to the conclusion that the demand of Canada's population, now nearly 5½ millions in number, for the goods which we can supply is an inelastic demand. The apparent growth of exports over the same period is much greater, reaching to 25 per cent., the greater part of this growth being subsequent to 1891, and further, about nine-tenths of the whole growth is in exports to Great Britain. The price-variation since 1891 has been much less for Canada's exports than for her imports, being about 4½ per cent. only down to 1895, on a similar calculation to the above, a much smaller fall than that of the prices of English exports in the same period. An extended calculation in the valuable publication already mentioned shows that, at the prices of 1883, the Canadian exports of 1895 would have shown an increase of no less than 33 per cent. This is again an indication that Canada is able to find a market for her greatly increased exports without being compelled to submit to such extensive reductions of price as those which affect so seriously the exporters of our own country.

Returning from the digression on price movements, we find that manufactures for consumption have, in recent years, constituted rather over one-third in value of Canada's imports, that they supply nearly one-half of the total customs duty collected, and have been charged at

about 29 per cent. on the average. Comparing Canada with her powerful neighbour in respect to imports of this class, the proportionate amount of such goods imported into the United States is only about half the amount for Canada, and, at the average rate of duty of about 55 per cent., some 40 per cent. of the customs revenue is yielded by this class. Of luxuries and articles of voluntary use (a somewhat vague description but one which will sufficiently indicate what is meant) Canada imports under 9 per cent. of her total imports. She charges duty at over 51 per cent. on the average, and realises nearly a quarter of her customs revenue by so doing. The United States, charging on this class 58 per cent. approximately, raised in recent years about 31 per cent. of its customs revenue from the 12 per cent. of total imports which fell into this class. The figures given relate to the years 1892-95.

Spirits and tobacco have yielded to Canada, since 1891, about 30 per cent. of the combined revenue from customs and excise, the latter of which is increasing at the expense of the former, especially in respect to tobacco. The two must be, therefore, considered together. In the fifteen years to 1891, these items (customs and excise) gave Canada a fairly steady 79 per cent. of her total revenue. Since 1891 the proportion has decreased somewhat, due to a falling off in the yield of these taxes. The average yield since 1891 has been about 75 per cent. of the total revenue. These facts show how dependent Canada is on her tariff for the revenue necessary to support the Government. They also lead one to express the hope that the experiment of reduced duties may result in increased revenue, and lead to a more general reduction with the same object in view.

The advantage now offered to British producers is, as will be seen from the foregoing, no slight one. As the imports into Canada from Great Britain contain but a small proportion of the goods excepted from the reduction in the tariff, these exceptions will reduce the advantage but slightly. On goods subject to duty an average competitive advantage of fully 3 per cent. now and 6 per cent. after June 30th of next year would appear to be, roughly, the result of the change. This is by no means an unimportant advantage, and that the measure of it is not overestimated may be concluded from the consideration that the great bulk of the imports from Britain are of manufactured goods for consumption or of articles classed among the luxuries, the latter the most highly taxed class of imports, a class where the British exporter will have a greater advantage over his competitors than in other classes.

Canada is risking no small amount of revenue by her offer. I do not remember to have seen the official estimate of the amount, but it would appear to be not far from the mark to say that, except in so far as growth of trade compensates for reduced duties, there will be a loss of about 750,000 dollars in the current year, and double that amount afterwards. It must further be remembered that if the result of the differential advantage is to divert trade to a new channel,

so that England supplies what was formerly obtained from the United States or elsewhere, the growth of British exports will mean a loss to the Canadian revenue. It is greatly to be desired that a real growth of trade may take place rather than a mere diversion to new channels, or in addition to such diversion. One opportunity for such growth has arisen in the sensational discovery of gold-fields of great extent and unusual richness in the extreme northern parts of the Dominion. If the anticipations of wealth to be extracted from these mines be but partly realised, Canadian trade will receive a very important stimulus.

The one doubtful point remaining is the possible unwillingness of Germany and Belgium to make new treaty arrangements. Our exports to those countries are large and important and, though not elastic, as I showed in a recent article in this journal, it would be a grave misfortune if our diplomatists and those of the countries named failed to arrange satisfactory treaties to replace those about to lapse. The announcement of the denunciation of the old treaties is accompanied by the statement that an invitation to enter on negotiations for fresh treaties was also given to the Governments concerned. It is, perhaps, too much to expect the present hindrances to our exports to these two important neighbours and customers to be reduced. We will venture to hope that the cabinets of Brussels and Berlin will not be too greatly influenced by their protectionist views during the negotiations, that the consciousness of interdependence of import and export trade may prevent the placing of new and more serious hindrances in the way of the former, and that the traditional policy of Great Britain will prevail to leave the latter as unimpeded as now.

A. W. FLUX

SOME ECONOMIC ASPECTS OF THE CUBAN INSURRECTION

ON February 24, 1895, the smouldering embers of an old discontent broke into the flame of open insurrection in the Cuban province of Santiago de Cuba: an apparently insignificant local rising became an organised revolt against the Spanish power, and for more than two years the whole island of Cuba has been abandoned to an internecine insurrectionary war.

Though the great island in the Antilles remained loyal when the rest of Spain's possessions revolted and her mainland empire was lost in the early years of this century, the history of Cuba has not been free from popular risings. The mother country failed to learn the lesson of wisdom in administration. The filibustering effort of the Lone Star Society in 1848 had its sympathisers in sections of the Cuban population, and in 1868 a serious revolt broke out against the Spanish Government which lasted nearly ten years. It became a habit with the Cuban to fly to arms if he felt aggrieved with the Government; the tranquillity which followed the settlement of 1878 was apparent rather

than real,¹ and the present insurrection would have broken out long before it did, were it not for the liberal projects of the Sagasta administration at Madrid.

Without pretending that the origin of the revolt was economic, we believe it can be shown that it drew its strength from the economic conditions ruling in the island at the time of the first outburst. Sugar is the staple industry of Cuba and gives employment to nearly two-thirds of the population. Already² in 1891 a storm was lowering on the horizon owing to the competition of the European bounty-fed sugar, and the protective policy of the United States, which gave no certainty of a fixed market for the annual crop. In 1894 great efforts, resulting in the output of one of the largest crops recorded for the island, were answered by a heavy fall in the price of sugar, which through various violent fluctuations tended downwards to the lowest point it has ever touched. Throughout the West Indies the year closed amid the apprehensions or despair of the sugar planters. Cuba, in spite of well-equipped factories, and its general reputation for enlightened cultivation, was no exception to the rule. "The island,"³ wrote the British Consul, "has suffered immensely from the existing depression. Money is scarce and dear, and planters are at their wits' ends to supply themselves with the funds necessary to carry on operations. Nothing is heard but one wail of complaint from end to end of the island, and the opinion appears to be universal that we have not yet seen the worst." As a consequence wages had declined by about 20 per cent. and large numbers of labourers were thrown out of employment;⁴ the black population became demoralised.

Thus when a somewhat insignificant outburst occurred in one of the chief sugar-growing districts, the agitators or revolutionary leaders who had for years been intriguing against Spain, and were always on the lookout for an opening, found an excellent situation prepared for them: they made ready recruits amongst the unemployed, and by their principal method of attack added almost indefinitely to the mass of unemployed from whom they drew their recruits: for they directed their earliest efforts to stopping all cultivation and manufacture of sugar which they did not themselves sanction; and where the planters did not readily give in to their edict, they burnt the canefields and ruined the factories by dynamite. Many thousands of labourers were thrown out of employment, and for these emigration or revolution were practically the only alternatives.

Doubtless the genuine reformers, of whom two well-defined parties existed in Cuba, were to some extent drawn into sympathy with the revolutionary party, rather because they had so little to hope from the success of the Spanish Government than because they really approved

¹ See Señor Ynsua, in *La Administracion*, vol. iv., No. 31, p. 32.

² *Ibid.*, iv., No. 33, p. 300.

³ Diplomatic and Consular Reports, No. 1524, Spain, 1895, p. 5.

⁴ *Ibid.*, p. 26.

either the methods or the objects of the insurgents. Their countenance was of a negative character. The Spanish Government suffered rather from the loss of their support than from any active help which they accorded Maceo and his troops.

But even as far as the true reform parties were concerned in the rising it had something of an economic motive, and commercial grievances are so closely connected with the continuance of the insurrection that it is worth while to re-state a summary of them which is given in the British Consul's report for 1894.¹ They are all traceable to a single law. The so-called "Law of Commercial Relations" or code regulating the navigation between Spain and the Antilles was unjust, unequal, and irritating, it checked legitimate foreign trade, raised freights, and encouraged a corrupt customs administration. The primary necessity was the removal of the antiquated commercial policy of the mother country.

The Cuban tariff is settled by the Cortes in Spain : it carries three grades or "columns" of import duties ; the lowest rate of duty is chargeable only on Spanish products, and operates as a very substantial protection to the manufactures of the mother country, in return for which the Cuban has no special privilege in the markets of Spain ; the higher rates of duty are for bargaining purposes in commercial dealings with foreigners : those who treat Spain least favourably or those whom the Spanish Government may for any reason wish to penalise are subjected to the highest rate of duty. Thus in August, 1894, directly the United States reimposed the duty on sugar, the Spanish Cortes issued a decree imposing the highest rate of import duties on all goods arriving from the States. As a large proportion of the imports from the United States is composed of flour and other necessities of life, the result of this decree was to increase materially the cost of living at a time when a serious commercial crisis had been reached. No wonder the reform party was tempted to dally with any movement which gave hope of deliverance from such a system of finance.

The measures required in place of the obnoxious "Ley de Relaciones" were thus enumerated by the Cuban Industrial and Agricultural League of Merchants :—

(1). That Spanish products on importation into Cuba should pay the same tariff of import duties as foreign merchandise, less 40 per cent.

(2). That Cuban products on importation into Spain should pay a moderate instead of a prohibitive duty ; and that "free sale" of tobacco should be allowed after customs duties have been paid.

(3). That the customs tariff be reformed both in respect of its "table of values" and its classification.

(4). That raw materials should not pay more than 10 per cent. *ad valorem* on importation, and that machinery for the manufacture of sugar or for railways should pay 6 per cent. on cost price on importation.

¹ Diplomatic and Consular Reports, No. 1524, Spain, 1895, pp. 7 and 8.

The other demands of the League were for safeguards of purity and impartiality in the administration of the customs law.

A few random instances give a better idea of the need of such reforms. A single spur wheel valued at \$800 paid \$1,090 in customs duty; a locomotive which cost £2,000 paid £1,000 as import duty. A clerical error in a manifest, which was pointed out by the captain of the vessel on arrival in port, was visited with a heavy fine, notoriously for the benefit of some customs official.¹

The Spanish Government had in fact through long years been fomenting ill-feeling and discontent in the one way which touches men most nearly:—by an interference which made their ordinary business difficult and docked their legitimate profits. When insurrection broke out there were a good many who, without exactly joining in it, felt they might very probably gain rather than lose by it; and a sulky abstention from either side was in this case as helpful to the insurgents as active co-operation. The home Government has too late recognised this. Their project of reform, promulgated in the *Gazette* of February 8 last, would, if wisely and honestly administered, go far to remove the most serious grievances. But neither was it so sweeping and complete as to ensure its reception by acclamation amongst all those who, like the "Autonomista" party, really desired substantial reform, nor did the insurrectionary leaders really care for mere financial or political reform; their views had gone beyond that. The general scope of the proposed reforms was as follows:—

There should be a Council of Administration in Cuba of thirty-five members, of whom twenty-one should be elected by the tax-payers.

This council should have absolute control over local taxation, and should decide the distribution of Imperial taxation:—this latter clause seems to mean that Spain should levy the amount of the contribution required from Cuba, and the new council should find the money in whatever way they think best.

The "fiscal" duties should be the same both for national and foreign products, and should not exceed 15 per cent. ad valorem.

Differential taxes should not exceed 20 per cent. ad valorem, except in special cases, when they might be as high as 35 per cent.; the Cortes to have the power by special law to make them 40 per cent.

Briefly put, the project of reform amounts to a concession of more moderate taxation and of considerable local control as to the methods of internal taxation. It was promulgated nearly six months ago, and has had no visible effect on the insurrection, as might be expected by any one who had studied the real character of the rising as indicated above.

It was triumphantly stated by some of Spain's friends that these reforms would put Cuba in the position of Canada. How little the Spanish politician can know of the Canadian Dominion, which at this moment is rather laying down fiscal policies for the mother country

¹ *Times* Special Articles, July 10, 1895, February 9, 1897.

than accepting suggestions as to customs administration from the United Kingdom!

On the economic grievances of the Cuban and their remedy there is not much more to be said, unless it be that the proffered remedy must probably be much more thoroughgoing before it has a determinate effect on the course of the insurrection. A tariff and commercial system adjusted to aid the industries of the island, and full power to regulate the tariff for the benefit of the colony and not for that of the mother country, are the two essential elements in the early pacification of the island.¹

Meanwhile the economic result of two years of paralysis and war has been disastrous. "Cuba," quoted the *Times* correspondent,² "has received her death-blow." This is probably an exaggeration. The remarkable fertility of the island has triumphed over previous disasters, and if peace is restored within a reasonable time there is little doubt that it will do the same again. The following figures, however, are more suggestive than many words.

	1893-94. Tons	1894-95. Tons	1895-96. Tons
Export of sugar	1,023,719	832,431	235,628
Total production	1,054,214	1,004,264	225,221

That is to say, within a single year more than three-fourths of the staple crop of the island had disappeared. It is curious to contrast with these figures those of the export of cigars, which are as follows,

	1894.	1895.	1896.
Export of cigars	132,065,000	156,513,000	185,914,000

which appears at first sight to show a steady increase in industry: this is explained by a decree of May, 1896, which forbade the export of the leaf to be made into cigars abroad, and drove dealers to buy only the actual manufacture of Havana. It is necessary to go behind the mere export of cigars, and on further investigating the facts it turns out that in the provinces of Pinar Del Rio and Havana a production of 280,000 bales of tobacco in 1895 dropped to 85,000 in 1896. Indeed the British Consul³ reports that the difficulties of carrying on the industry under present conditions were so great that during the current year the smaller factories would have to close their doors.

The total value of the exports of Cuba, which had in 1891 been about £20,000,000 and had fallen in 1894 (chiefly owing to the low price of sugar) to £14,000,000, fell sharply in 1896 (simply because of the insurrection) to £3,000,000 at the most—a reduction of nearly 80 per cent., corresponding remarkably to the percentage of reduction in the sugar crop.

It is little better than a truism that years of fighting are prejudicial to trade: this will be seen by a glance at the trade returns of any

¹ Compare *La Administracion*, vol. iv., No. 34, p. 426.

² *Times*, Special Article, May 16, 1896.

³ Diplomatic and Consular Reports, No. 1880, Spain, 1897, p. 10.

country which has been at war within the last half-century, of England in 1856, the United States in 1862, or France in 1870. The evil results show themselves more particularly in the exports; for supplies and war material may swell the imports and be paid for by incurring debt. And this has been the case with Cuba, of whose internal condition we will endeavour to form an accurate conception from a consideration of details reported in the Press and elsewhere.

The economic collapse is marked both by its rapidity and its completeness. "The protracted and devastating insurrection," writes Consul Gollan, "is fast reducing the once prosperous and important Island of Cuba to a desert." The conditions prevailing throughout Cuba at the outbreak were peculiarly adapted to produce such a result. The main industry of the island had come to the verge of a fiery trial, even apart from the attacks of desperadoes. The destruction of capital meant immediate collapse. The insurgents made it their first object to destroy the most important class of capital in Cuba: from the outset they relied for success on the power to stop the planters from making sugar. Within a year¹ they had resorted to the use of burning and dynamite in the case of fifty plantations, and the total destruction of private property was computed at £1,000,000 sterling. The results of such barbarism showed themselves everywhere and in every department of life.

The extraordinary drop in the production of sugar between 1895 and 1896 has already been noticed. Very few planters had any longer either means or opportunity to manufacture: soldiers had to be paid for protecting the estates, and roads were so often blocked that cane could not be hauled to the factories. The smaller landowners who depend on the sale of their cane to central factories, either could not get their cane through to the mill or could not find people to pay them when they did. Naturally cultivation on most estates, large and small, was abandoned. Landed proprietors as a rule had ruin staring them in the face. Some profit was still made on rum, because the troops required a large quantity: the price in 1896 rose from \$9 per pipe to \$30 and at one time \$40.

In the tobacco industry, in spite of the increased export of cigars, profits have been small, because raw material fetched a very high price; and there seems to be ground for believing that the general result of working in this trade in 1896 was a loss and not a profit.

The cattle trade passed through a somewhat varied experience. Shortly after the outbreak of the insurrection the price of cattle dropped to a third of what it had been earlier in the year. Later, as the war proceeded, the demand for fresh meat ran the price up to a high figure: and now the fear is rather that cattle will be extinct in Cuba, than that they will be a drug in the market.

The above are Cuba's three chief industries; and as nearly every business depends on the sugar industry, disorganisation has spread

¹ *Times*, Special Article, May 16, 1896.

every branch of trade ; wages could not be paid and credit was often not given, universal bankruptcy threatened the traders and merchants in the island. It is indeed difficult to draw an adequate picture of the stagnation and ruin which are reflected in all the reports. Acres of burnt and desolated plantations, mills and factories standing idle, planters seeking accommodation at usurious rates of interest, merchants not daring to give credit, yet at their wits' end to sell their stocks, ships waiting in Havana harbour with their cargoes unsalable. Beyond some woodcutting of a very arduous character, " and the occupation of grocers and small storekeepers, there is no sign whatever of commercial life. Money cannot be obtained at any rate of interest . . . in fact there are no buyers ; all are sellers, and even pawnbrokers are reluctant to make advances on goods." ¹

All this has been aggravated by the military order of January, 1896, that country people were to concentrate in the towns within a given number of days, followed by a decree that all country stores and shops in unfortified places should be closed. This has amounted to the abandonment of all the small farms in the country and to the depopulation of the smaller towns. Houses are unoccupied, and rentals have disappeared. Even in Havana for a time the same thing seemed likely to occur. Pauperisation of large masses is the inevitable result ; they eke out a precarious existence in the purlieus of Havana. For a time the Government tried to ration them ; lately they have left private charity to cope with the evil as best it may.

Emigration is a natural outlet for part of the difficulty ; in the first three months of 1896, 2,000 families left for Spain. Many more have gone since, and others are still going ; few of these will ever come back. To some extent, therefore, Cuba is already being depopulated.

Internal means of communication are suffering month by month ; the roads are receiving no repair, and the railways are losing parts of their permanent way and rolling stock in rough usage or by wanton damage.

The financial results of such a state of things are a serious problem for any Government. The island started extremely badly equipped for such a crisis. The debt of £80,000,000,² largely piled up by the previous insurrection, is at any time a heavy burthen on its resources. For ten years previous to 1894 there was an accumulated deficit of considerably over £9,000,000, which must now be added to the debt. The first means of getting more revenue was to add an extra duty of five per cent. on all imports and that means, at such a time as the present, an addition to the cost of the necessities of life. It can hardly be a matter for surprise that recourse should now have been had to the last resort of the desperate financier—the issue of a large amount of paper money. The first attempt, made on 8th June, 1896, was to issue Treasury

¹ Diplomatic and Consular Reports, No. 1880, Spain, 1897, p. 17.

² This is about £50 per head. The debt of the neighbouring British Island of Jamaica is barely £2 10s. per head.

notes, which apparently were inconvertible, but were declared to have a gold value in all transactions. The notes rapidly went to a discount. In November last, a new plan was tried, which hardly seems a practical success. An issue of \$20,000,000 worth of notes was made: a reserve of one-third of that amount was kept in silver at the Banco Español de la Isla de Cuba; a special duty of five per cent. on imports was levied as a collateral security, and the notes could be received in lieu of silver in payment of taxes. The whole plan is clumsy and unscientific. It can only be added to the long list of instances where forced paper currencies have utterly failed. Within a few months the notes were at a discount of twenty per cent. as against silver, and thirty-four per cent. as against gold.¹ The existence of the notes will only facilitate the drain of specie to pay for imports in the shape of necessary supplies.

From the above review it is tolerably clear that even if the insurrection is now rapidly brought to a close (and that is not imminent), Cuba will be crippled for many years to come. It is notoriously an expensive matter to bring a cane-field into a high state of cultivation, and still more so to replace valuable machinery once destroyed. In spite of a remarkable fertility of soil and favourable climate, the recovery of the sugar industry must be slow work. It cannot recover at all except under the wisest legislation and fostering care of the Government. The revival of that energy and enlightenment which enabled the Cuban planter to retain his place, in the face of bounty-fed competition, must be accompanied by the removal of every antiquated restriction. The present time is in any case a very bad one. Even without an insurrection, many Cuban planters would have fared no better than many of their British neighbours. Yet if the painfulness of the recovery is recognised it will possibly be the more complete and permanent. If the sugar industry can be revived, there is no need to despair about others; none will suffer so much, none require so much capital or determination to make them pay.

It remains to glance at the external effects of the Cuban insurrection.

At first sight there is a temporary loss to the world of 800,000 tons of sugar. The Cuba crop is one-eighth of the world's supply, and such a failure might have been expected to have some effect on prices, and on the production of neighbouring islands. But the stocks on hand were large, the competition of fresh supplies from the beet-growing countries of Europe was treading on the heels of the existing supply, the gap in the world's output was filled almost without an effort. The benefit, if any, has accrued entirely to the well-organised industries of Europe, which are stimulated by the bounties to what is generally spoken

¹ The Cuban money of account is still the dollar of old Spain; in actual circulation it is represented by the Mexican dollar. American dollars also circulate but at a premium. The modern Spanish coinage is current. The *agio* on gold which comes in with the latter is intensified by other conditions.

of as over-production. The neighbouring British and French West India Colonies, growers of cane-sugar like Cuba, have scarcely felt any stimulus to increased production. There the wave of adversity continued and is continuing.

It has been suggested¹ that some of the British islands ought to make profits from the growth of tobacco while the supply from Cuba is so short. The prospect is probably delusive. Some of them have already tried hard to find a market for their tobacco and cigars. Jamaica has to a large extent succeeded. But there is no denying that the reputation of the Cuban curing is far above that of its competitors. Any effort to supplant Havana at this time would be purely temporary: when peace is restored it will drop away again, just as in 1864 the effort to grow cotton in the Virgin Islands died away as soon as the civil war in the United States was fairly at an end.

There is a better prospect for a trade in cattle from these islands. Jamaica particularly with its fine herds should for some years find a profitable business both in supplying with meat Cuba fighting and in replenishing the stocks of Cuba at peace.

The destruction of foreign capital invested in the island carries the losses of war time further than the island itself, and may hereafter give political trouble to all parties concerned; but, apart from this, the general lesson to be drawn as regards the effect on the outside world is, that in the modern economic relations of the countries of the world little disturbance to trade is caused by the elimination of a fairly important factor. As the knowledge of each business spreads and the number of competing sources of supply increases year by year, the dropping out of one only gives an opening to others. Very rarely is there a loss of a substantial nature to the world at large.

C. ALEXANDER HARRIS

THE CONSISTENCY OF ADAM SMITH

MAY I here be permitted to express the lively satisfaction afforded me by some recent English publications that have thrown light on the so-called Adam Smith problem? I was at one time keenly occupied with it, and hold it to be the point to which the intelligent and earnest attention of students ought to be turned now that the Physico-economic problem is approaching solution. These works, published recently, have contributed new and valuable material for fully understanding the teaching of the great Scottish economist, namely, James Bonar's *A Catalogue of the Library of Adam Smith* (1906), John Yarker's *Life of Adam Smith* (1905) and Francis Greenwood A. Jackson's *Lectures on Justice, Police, Revenue and Arms, delivered at the University of Cambridge by Adam Smith*, reported by a student in 1896 (1906).

¹ *Economist and Commercial Review* 24, 1896, *op. cit.* p. 2.

It does not seem to be understood in Great Britain that, on the Continent, there is a difference of opinion about one fundamental point in Adam Smith's system—a difference which, at one time, gave rise to some sharp polemics, and which is not yet settled. The question may be thus stated:—Are the two principal works of Adam Smith, the *Theory of Moral Sentiments* (1759) on the one hand, and the *Inquiry into the Nature and Causes of the Wealth of Nations* (1776) on the other, two entirely independent works, contradicting each other in their fundamental principles, or are we to regard the latter simply as a continuation of the former, though published at a later date, and both as presenting, when taken together, a comprehensive exposition of his moral philosophy?

The decision of this question is not merely of objective interest in general, but personally affects the great Scotchman. Whether there is any foundation in fact for the doubts which are constantly expressed as to Smith's scientific sincerity is involved in it, as is also the charge that he preached extreme materialism. The latter accusation was raised against him first by Bruno Hildebrand, a forerunner of the German "ethical" school, or "Socialists of the Chair."

Buckle in his *History of Civilisation in England* has emphatically upheld the homogeneity of Smith's two works. On the other hand, Lujo Brentano, in his book, *The Position of Labour under Modern Law* (1877), takes the other view, as may be seen from the following extract (p. 60):—"The *Inquiry into the Nature and Causes of the Wealth of Nations* appeared in the early months of 1776. Adam Smith had worked at it during ten years of quiet country life. He had begun the work immediately after his return from France. During a twelve months' stay in Paris with Helvetius, the 'Atticus' of the Encyclopædists, he had associated with the men whom that distinguished commissioner of taxes, thirsting for literary fame, gathered round his table in order that he might extract the quintessence of their ideas and publish them in his book, *De l'Esprit*, the Gospel of Individualism. We may judge how great was the influence of this intercourse on Adam Smith by the revolution which it effected in his opinions. As is well known, Smith had published in 1759 a *Theory of Moral Sentiments*, according to which moral actions are only those which awaken the sympathy of all well-instructed and impartial spectators. According to him, men are influenced by their actions. He writes:—'The whole account of human nature which deduces all sentiments and affections from self-love, which has made so much noise in the world, but which, so far as I know, has never yet been fully and distinctly explained, seems to me to have arisen from some confused misapprehension of the system of sympathy.' In his investigation of the wealth of nations, however, he agrees entirely with the opinions of Helvetius, as expressed in his book on human nature, and on *self-interest as the sole spring of human actions*. The consequences of this dogma of self-love permeate every part of the work. Indeed, so con-

vinced was he that self-interest was the only possible motive for human action, that the decision of the Quakers in Pennsylvania in freeing their slaves, an action universally ascribed to a religious motive, calls forth the following passage: 'Their resolution . . . may satisfy us that their number cannot be very great. Had they made any considerable part of their property, such a resolution could never have been agreed to'" (*Wealth of Nations*, III. 2).

The same view which we find in Brentano to-day is at the foundation of the writings of Hildebrand, Knies and others. Skarzinski, in his pamphlet, *Adam Smith as a Moral Philosopher and Creator of Political Economy* (1878), puts this in the most convincing form in the following words (p. 183):—"Smith was an Idealist, as long as he lived in England under the influence of Hutcheson and Hume. After living in France for three years and coming into close touch with the Materialism that prevailed there, he returned to England a Materialist. This is the simple explanation of the contrast between his *Theory* (1759), written before his journey to France, and his *Wealth of Nations* (1776), composed after his return."

About the same time I had arrayed myself on the opposite side, in my book, *Adam Smith and Immanuel Kant* (1877). I had taken my stand on the explanations given in the preface to the sixth edition of the *Theory*, which appeared in the year of his death, and in which he lays emphasis on the connection between the two works; and I had endeavoured to sketch the ground plan of the structure of his moral philosophy. By comparing this with the way in which other philosophers built up their systems, especially with that of Kant, I endeavoured to show that it was by no means necessary to take refuge in the assumption of a revolution in the opinions of Smith, inasmuch as a similar evolution of thought might be found elsewhere. I had further taken pains to defend Smith from the charge of Materialism. If Smith is studied without prejudice, many passages will be found that prove him to have been a forerunner of Kant, the Idealistic philosopher. This specially applies to his *Doctrine of Conscience*.

This idea was vehemently contradicted by the opposite party. As the new "ethical" school had entangled itself in a *determined* opposition to classical political economy, and especially to Adam Smith its leader, it was most disconcerting to them to be told that he himself was a great ethical teacher. Later writings favour the view that Smith's two principal works hang together. To these belong Richard Zeyss's *Adam Smith and Self-Interest* (1889); W. Paszkowski's *Adam Smith as a Moral Philosopher* (1890); W. Hasbach's *Investigations concerning Adam Smith* (1891). The work of Albert Delatour, *Adam Smith, His Life, His Works and His Doctrines* (1886), which received a medal from the French Academy of Moral and Political Science, follows a similar line of thought. It is at last possible to bring this dispute to a point owing to the publications of Bonar, Rae,

and Cannan, although they do not directly touch the question at issue.

In the first place, in the catalogue of Smith's library, as published by Bonar, it is noticeable that not a single work of Helvetius' is to be found. Nor is Holbach's "*Système de la Nature*" there. The only work by the latter is his *Système Social* (1773). Whoever knows this book and compares it with the *Wealth of Nations*, will never believe that Adam Smith was seriously influenced by Holbach. No one, however, who has even a superficial acquaintance with their writings, will consider the *Physiocrats* to be Materialists. Their influence on Adam Smith is also much less than has been generally supposed. Certainly it is a distinct mistake to say, as Brentano does, in his above-mentioned work, that, excepting some unimportant differences, "Adam Smith is himself a Physiocrat; his chief merit is only to have produced the most brilliant literary production of the school" (p. 63).

Further, John Rae, in his biography of Adam Smith, in which the period of his stay in France is minutely described, knows nothing of a fundamental change of view. Rather is the continuity of the *Wealth of Nations* and of the *Theory* always taken as self-evident. His earliest biographer, Dugald Stewart, took up a similar position. The last doubt which might remain disappears, however, when one reads the College note-book, edited by E. Cannan, of one who heard Adam Smith's lectures on "Jurisprudence and Police." This note-book has come down from the year 1763; that is, just before Smith's departure for France in 1764. This confirms the account which is given by Dugald Stewart, and derived from John Millar, according to which the jurisprudence forms the connecting link between the teachings revealed in the *Moral Sentiments* and in the *Wealth of Nations*. We find the lectures, which are directly connected with the last chapter of the *Theory*, dealing not only with public and private rights, but also, at the close, with the "police"; i.e., the subjects which are treated of in the *Wealth of Nations* under the name of Political Economy. In this last division we meet with all the principal economic doctrines which were afterwards given to the public in the *Wealth of Nations*, especially the statement that the *economic* actions of men have their root in the impulse of self-love. We read, e.g., on p. 169—agreeing in parts *verbatim* with the statement contained in chap. ii., Bk. I. of the *Wealth of Nations*:—"Man in the same manner works on the self-love of his fellows by setting before them a sufficient temptation to get what he wants. The language of this disposition is: Give me what I want, and you shall have what you want! It is not from *benevolence*, as the dogs, but from *self-love* that man expects anything. The brewer and the baker serve us not from *benevolence* but from *self-love*. No man but a beggar depends on benevolence, and they would die in a week were their entire dependence upon it." Herewith Adam Smith certainly did not mean to say that no actions were prompted by

benevolence, but only that these last-named actions belong to a different category from economic actions. But both are peculiar and necessary to man. This is expressed clearly enough in different passages of the *Theory*. For example, in the following:—

“The great division of our affections is into the selfish and the benevolent” (Part VII., sect. ii.).

“Concern for our own happiness recommends to us the virtue of prudence; concern for that of other people, the virtues of justice and beneficence. . . . The first of these three virtues is originally recommended to us by our selfish, the other by our benevolent, affections” (Part VI., Conclusion).

“Self-love may frequently be a virtuous motive of action” (Part VII., chap. iv.).

“Regard to our own private happiness and interest, too, appear upon many occasions very laudable principles of action. The habits of economy, industry, discretion, attention and application of thought are generally supposed to be cultivated from self-interested motives, and, at the same time, are apprehended to be very praiseworthy qualities, which deserve the esteem and approbation of everybody” (Part VII., chap. iii.).

“Carelessness and want of economy are universally disapproved of, not, however, as proceeding from a want of benevolence, but from a want of proper attention to the objects of self-interest” (Part VII., chap. iii.).

“The man who acts according to the rule of perfect prudence, of strict justice and of proper benevolence, may be said to be perfectly virtuous” (Part VI., sect. iii.).

From all these passages in the *Theory*, as well as from similar ones in the *Lectures*, it is quite evident that Smith needed no introduction from the Encyclopædists in France in order to give self-love that place among human motives for action which he has given it later on in the *Wealth of Nations*. For that, in this work also, self-love is not the root of *all*, but only of economic actions is also to be inferred, among other passages, from his defence of the Navigation Act. This injured, it is true, the wealth of England, but it increased her political power. But power is of much more importance than wealth, and in this sense it has perhaps been among the wisest measures of English policy. Again, the art of war is incidentally mentioned by Smith as the noblest of all arts; and so on. The young Duke de la Rochefoucauld, with whose family Smith had become acquainted during his stay in France, rightly appreciated Adam Smith's view, as may be seen from a letter written to Smith to excuse the young Duke's grandfather, the author of the celebrated *Maximes*:—“He has taken a part for the whole, and because the people with whom he had most closely associated were animated by *amour-propre*, he has made it the general *mobile* for humanity” (Rae, p. 340). This letter is dated March 3, 1778. This was therefore two years after the publication of the *Wealth of Nations*, in which, as is assumed,

Smith gives written evidence of his having gone over to the materialistic view of the *Maximes*, and especially of the work of Helvetius, *De l'Esprit*. It is well known that Smith, in the first edition of the *Theory* (1759) had sharply combated the teaching of Mandeville and de la Rochefoucauld, on which he bestows the epithet of "licentious systems," and of which he says:—"The notions of both these authors are, in almost every respect, erroneous." While he did not withdraw this charge in any of the four following editions—he prepared the third immediately after his return from France—yet in the revision of the sixth edition (1790) he made a slight alteration by omitting the name of de la Rochefoucauld; the argument itself he retained, though it was now directed solely against Mandeville. If the opinion held by Brentano, Skarzinski and others were correct, Smith would already in the third edition (1767) have gone over to the opposite camp with flying colours, or he would have deserved the charge of unmitigated hypocrisy. But, strange to say, the name of Helvetius does not occur in any edition, either of the *Theory*, or of the *Wealth of Nations*. Brentano adduces a passage from the first edition of the *Theory* in proof of the older opinion which Smith is said to have discarded in the *Wealth of Nations*:—"That whole account of human nature, however, which deduces all sentiments and affections from *self-love*, which has made so much noise in the world, but which, so far as I know, has never yet been fully and distinctly explained, seems to me to have arisen from some confused misapprehension of the system of sympathy." This passage occurs *verbatim* in every succeeding edition, even in the sixth (1790), which was revised by Smith himself. Indeed it is evident that Brentano had taken it from the last edition, because he cites it as occurring in Part VII., and there was no Part VII. till the edition of 1790, when, after Part VI., Smith interpolated a new part:—"Of the character of virtue;" and consequently what was formerly the sixth part became the seventh. But in this new sixth part Smith has given clearer expression than ever, not only to his idealistic, but also to his synthetic views. If the *De l'Esprit* of Helvetius had really made so great an impression upon him, he would not only have named but would also have discussed it in the revised edition of the *Theory*, and that in juxtaposition to his remarks on Mandeville. As we have seen, neither happened. He evidently considers it as belonging to those works on which he makes the general remark that the doctrine "has never yet been fully and distinctly explained." This is a proof that he still classed it under "licentious systems," and "notions in almost every respect erroneous" (*Theory*, Part VII., chap. iv., edition 1790). Besides, in the preface to this last edition, revised by himself, he expressly emphasises the connection between the *Theory* and the *Wealth of Nations*. The explanation which can now no longer be misunderstood, but which has constantly been passed over by the defenders of the opposite theory, runs as follows:—"In the last paragraph of the first edition of the present work, I said that I should in

another discourse endeavour to give an account of the general principles of law and government, and of the different revolutions which they had undergone in the different ages and periods of society, not only in what concerns justice, but in what concerns police, revenue and arms, and whatever is the object of law. In the *Inquiry Concerning the Nature and Causes of the Wealth of Nations*, I have partly executed this promise; at least so far as concerns police, revenue and arms. What remains, the theory of jurisprudence, which I have long projected, I have hitherto been hindered from executing, by the same occupations which had till now prevented me from revising the present work. Though my very advanced age leaves me, I acknowledge, very little expectation of ever being able to execute this great work to my own satisfaction, yet, as I have not altogether abandoned the design, and, as I wish still to continue under the obligation of doing what I can, I have allowed the paragraph to remain as it was published more than thirty years ago, when I entertained no doubt of being able to execute everything which it announced."

By the publication of the *Lectures on Justice, Police, Revenue and Arms; delivered in the University of Glasgow by Adam Smith, reported by a Student in 1763*, which Edwin Cannan accomplished last year, the gap has, in some degree, been filled up. But this much is unquestionably evident from the passage above quoted, that the author himself firmly believed in the connection between his two works, the *Theory* and the *Wealth of Nations*. And yet in these latter days arise others who think they know better!

The original MS. of the lectures was burnt with other MSS. by his friends and executors, Hutton and Black, at Smith's request, shortly before his decease. The work itself possesses great literary and historical value, approximating, in my judgment, to the re-discovery of the *Tableau Économique* of Quesnay.

We must surely agree with Cannan when he denies that he has been guilty of an act of impiety by the publication of a course of instruction which the author himself would not lay before the public. Nothing has done more to prevent the right understanding of Smith's system than that unfortunate decision to burn the *Lectures on Jurisprudence*. Through the discovery of the mere notes of these lectures we are at last in a position to do full justice to the noble structure of ideas in the mind of the great Scotchman. Smith has done himself a great wrong, which now, at length, can be set right. It would be a graceful act for the English political economists to set themselves the task of inquiring fully into the Smith problem, and thus to protect their great master once for all from detraction, by presenting his teaching in its entirety, as a system of Moral Philosophy, in which Political Economy forms but a part. Then no one would blame Smith for lacking "ethical" standpoints, or suspect him of gross Materialism. Then this great man, who, despite certain undeniable weaknesses, towers far above his successors, would for ever be free from such hard

judgments as those to which Gustav Schmoller, the leader of the "historico-ethical" school, has given utterance in the following remark:—"Adam Smith has treated the economy of life very well in *small things*; in other respects he was a closet student; one indeed who knew how to lend significance to even second hand materials" (*Art*: "Volkswirtschaft" in the *Handwörterbuch der Staatswissenschaften*, by Conrad, &c., Bd. VI., 1894).

Men of the rank of Quesnay and Adam Smith do not belong merely to the nation which gave them birth. Other peoples also are deeply concerned in seeing them duly appreciated.

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POLITICAL ECONOMY IN ITALY.

IN that admirable essay upon Armand Carrel which, even at the present day, ranks among the most eloquent pages ever written upon the subject of French History, John Stuart Mill excellently describes the sudden revival of the French intellect after the year 1834, and, with great penetration, traces its causes to the then existing political and social conditions. "It was," he says, "the time when the Spanish war and its results seem to have riveted on the necks of the French people the yoke of the feudal and sacerdotal party for many years to come. The Chamber was closed to all under the age of forty; and besides, at this particular period, the law of partial renewal had been abrogated; a Septennial Act had been passed, and a general election; at the height of the Spanish triumph, had left but seventeen Liberals in the whole Chamber of Deputies. The army, in a time of profound peace, officered too by the detested *émigrés*, held out no attraction. Repelled from politics, in which little preferment could be hoped for by *roturiers*, and that little at a price which Frenchmen will feast of all consent to pay, religious hypocrisy, the *élite* of the educated youth of France precipitated themselves into literature and philosophy; and remarkable results soon became evident."

Unless I am much mistaken, a series of facts, analogous in many respects to these which are here described, are developing in Italy at the present time. The painful reverses which lately followed one upon the other; the military and political scandals which have disgraced our country; the increasing discredit of our Parliament; and all that terrible disruption in which the most brilliant personalities and the most distinguished reputations were so miserably wrecked, have exercised an influence, all the more profound as it was less heralded by forecasts, upon the minds of our intellectual classes and have radically changed their feelings.

That world of politics which, formerly, dazzled the mental vision

of our youths and shone before them as the beacon illuminating the final goal of all their efforts and all their aspirations, to-day arouses in their minds sensations of repugnance and contempt only ; and the host of those who withdraw from the uproarious arena of party strife, which has been sullied by so many displays of vileness, to the peaceful seclusion of private life, where they may devote themselves to brighter and purer contemplations, is daily increasing. Thus it comes about that to-day, as in former times, the political degradation of the nation is, as though by the law of providential compensation, instrumental in producing mental elevation, and Italy is indebted to her very misfortunes for the moral revival which is destined to restore to her the forfeited crown of the intellect. This revival becomes at once apparent in the Social Sciences, the progress of which we will more especially follow. In fact, we can point to a host of economic publications of which any civilised nation might well be proud, and the excellence of which is irrefutably proved by the fervour with which they are received and translated by that contemporary posterity, the foreigners. It will be sufficient for me to recall that the *Catholic Socialism* and the *Population and the Social System* of Nitti were translated into French and English ; and *American Protectionism* by Rabbeno into English ; while Alessio, Conigliani, Ferraris, Fiamingo, Graziani, Ricca-Salerno, Sbrojavacca, Stringher and Virgilj, are valued contributors to foreign Reviews and Encyclopædias. The time is therefore gone by, when the famous Economist Adolph Wagner was justified in asserting that in her scientific relations with other nations Italy received much and gave little ; since nowadays there has been established a profitable interchange of intellectuality between our country and other nations which have attained a greater maturity of scientific development, and since that which Italy contributes to that exchange is fully equivalent to that which she receives. Of this the reader will be sufficiently convinced by the detailed lists, which we shall presently submit to him, of the principal publications which have appeared in Italy during the last few years, treating of economical and social discussions.

The fundamental character of contemporary Economists of Italy may be resumed in two words : they are, essentially, searchers after truth. Contrary to their predecessors of twenty-five years ago, whose sole aim seemed to be to ensure victory to the principle of *laissez-faire*, modern Italian Economists do not intend to assure the success of any determined directions ; but their exclusive aim is to enrich by new discoveries the mental heritage of Humanity. None more aptly than they could assume as their device the motto of Dunoyer : “ I impose nothing, I do not even *propose* anything ; I simply *expose*.”

Not having any national tradition which it would be in their interest to defend, nor any scientific *articles of faith* which they are called upon to propagate, they adopt, and temper by an intelligent eclecticism, methods and systems of the greatest disparity ; they associate the

deductive with the inductive methods, the results of the classic school with those of the historic school, Socialism "of the chair" with the ultra-liberal, the Austrian school with Socialism in the proper sense of the word. Hence arises in the field of theory a system of doctrines substantially issued from the classic school, but tempered with the psychologico-utilitarian researches of Jevons and Menger, strengthened by the more trustworthy results of German Historism, and brought into co-relation with the weightiest of the criticisms which Socialism opposes to the economic order of the present day. In the practical camp, Italian Economists are, as a rule, partisans of the *laissez faire* as far as commercial policy is concerned; while, as regards the banking and industrial accommodations and the property of the land, they are decidedly supporters of State intervention, which, however, they wish to see confined within far narrower limits than those traced by the Katheder-Socialists of Germany.

Excluding the noteworthy treatise by Pareto, which, being written in French, cannot be quoted in our table, we have not had, within the last few years, any treatise upon Political Economy. Neither can the book by Lo Savio (*Political Economy viewed in the Light of Contemporary Sociology*), of which the first volume only has hitherto appeared, be considered as a treatise upon the principles of the science.

There is, at present, wanting in Italy a complete treatise upon Political Economy, which would set forth the actual state of the science and bring into harmony the divers dominant doctrines; and this is a void which we cannot sufficiently deplore, since, if the multitude of treatises on Political Economy is a useless encumbrance, if further the treatise is not the form most elevated and fertile of scientific literature, it is none the less desirable that every country should possess upon every branch of attainable knowledge at least one systematic work, from which the student may acquire the fundamental notions.

There abound, on the other hand, in Italy monographies, which, in general, are full of acumen and of vast learning. Among the purely economic monographies we will notice the one by Ricca-Salerno, *The Theory of Value in the History of Economical Doctrines and Facts* (Rome, 1894), wherein the doctrines of the Austrian school are unfolded and partly criticised in co-relation with the results of historical research. Graziani has an important essay, *Treatise on some Questions relative to the Doctrine of Wages* (Turin, 1893), which is remarkable in every respect and especially for its acute criticisms.

Montemartini presents a work, *Saving in Pure Economy* (Milan, 1896), wherein he applies the theories of Menger and of Böhm-Bawerk to the phenomenon of saving, with some valuable observations. Upon the subject of *Wages-Fund*, Tangorra and Siracusa have two pamphlets, short, but full of matter. Luigi Albertini publishes a remarkable paper upon *The Eight Hours' Labour Question* (Turin, 1894), in which this arduous question is treated with all the thoroughness and learning of a consummate Economist. This work, like some others which we

will mention later on, has been completed in the *Laboratory of Political Economy*, founded by the praiseworthy activity of Prof. Cognetti de Martiis of the University of Turin, and is in itself a testimony to the didactic and mental efficiency of that excellent hotbed of noble studies. Nitti has a little work upon the *Economy of High Wages*, in which elegance of form and vivacity of style are blended with large erudition. Janaccone has an important essay, *The Contract of Labour* (Turin, 1897). Upon the theme of agrarian economy, the remarkable work by Valenti, *The Agronomic Basis of the Theory of Rent of Land* (Bologna, 1896), stands foremost. In this work it is contended, with the support of weighty arguments and an imposing array of data, that the law of diminishing returns is inadmissible in our days, because the progress of agrarian technical treatment and of the application of chemical manure divest it of all practical efficacy. It will be perceived that it is the thesis upheld by Cannan and by Leroy Beaulieu, which Valenti is defending with truly remarkable energy. Virgil, being enthusiastic on the subject of modern agricultural systems, traces their principal results, and extracts from them ample information concerning the whole social economy; see his book, *The Agricultural Problem and Social Economy* (Palermo, 1896). Numerous are the writings concerning the question of the collective ownership of land, of which many relics still exist in Italy. We will select among those works that of Rinaldi, *Public Lands and the Social Question* (1896), that of Cavaglieri, of Venezian, &c. Coletti has a valuable essay, *The Industry of Cattle-Breeding in the Province of Macerata*, while Prof. Bordiga gives us a most important paper upon the *Production and Commerce of Cereals* (Naples, 1895), and Einaudi treats very competently the subject of *Rural Economy in Piedmont*. Upon the subject of the circulation, we will call attention to the volumes of Lorini upon the *Monetary Reform of Austria-Hungary* (1893), of *Russia* (1897), and upon *Money and the Principle of Comparative Cost* (1896); *The Studies upon the Value of Money*, by Caronna (Palermo, 1896); the essay upon the *Measure of the Variations in the Value of Money* by Nitti (Turin, 1896), and the extensive history of the circulation in Italy from 1864 to 1893, by Camillo Supino, in which the various vicissitudes of our paper circulation are described in masterly fashion. Meanwhile Sartori publishes in the *Giornale degli Economisti* a profound article upon *agio*, in which he combats, with great perspicuity, the theory which represents the *agio* to be dependent on the demand and supply of the precious metals; while Dalla Volta, in an interesting little volume, describes the vicissitudes, the development and influence of *The New African Gold* (Florence, 1896). Cognetti, who is now the director of the *Economist's Library* (the important collection of foreign works upon the subject of Economy), prefaces them by an introduction which is truly excellent and bears the title, *The Two Systems of Commercial Economy* (Turin, 1896), in which the controversy between free exchange and protectionism is splendidly studied in the commercial history of Venice.

Agnelli gives us a work upon free trade, which is not wanting in useful observations. Rabbeno publishes an important work upon *American Protectionism*, which gained the unqualified approval of all scientists; and Pantaleoni publishes in the *Giornale degli Economisti* a profound study of Economical Necroscopy upon the *Failure of the Mobiliary Credit*.

Nevertheless, however remarkable and learned these publications may be, it cannot be said that, as a whole, they bear testimony to an extraordinary activity in the field of Political Economy. But, as a Latinist with whom we had some relations in our schooldays used to say, it often happens that *si unius oculi pupilla claudetur, alterius oculi pupilla aperiatur*; and the incipient languor in the publications upon strict economic science is counterbalanced by powerful and numerous works upon financial science. At the head of this noble procession we find Giulio Alessio, whose book, *The Functions of Public Treasury in the Modern State* (Padua, 1894), furnishes proof of a profundity and acuteness and a learning which are above all praise. Worthy of note also is his work, *The Reform of the Local Taxation*. He is closely followed by Augusto Graziani, who, last year, put in print a powerful volume of *Institutions of the Science of Finance*, in which the most trustworthy doctrines are passed in review, marshalled, and enriched by important original researches; while Ricca-Salerno publishes, with considerable additions, the second edition of his learned *History of the Financial Doctrines in Italy* (Palermo, 1896). Regarding progressive taxation, we have three volumes by Martello, by Mazzola, and by Masè-Dari, the first of which opposes every kind of progression, the others dispassionately elucidate the question, and, especially the last, incline in favour of progression. Worthy of remark, also, is a clever paper upon this subject by Gobbi, *The Rational Character of Progressive Taxation* (Milan, 1897). Garelli publishes a learned work upon *Hereditary Taxes* (Turin, 1896), a theme broached also by Ricca-Salerno in some interesting articles. Ferraris defends the military tax with much sense and erudition. Dalla Volta treats of the *betterment tax* with much competence; and, finally, Flóra gives us a good *Manual of the Science of Finance* (Leghorn, 1895), inspiring himself from the criterion of extreme Liberalism which, in a more brilliant form, is found in his work, *Finance and the Social Question* (Turin, 1897).

On the field of Economic Policy there are at the present time plenty of disputes regarding the so-called *Historic Materialism*, which were originated, and to which impulse was given by our book, *The Economic Bases of the Social Constitution*. In favour of this thesis there has been published, among others, two clever works by Mellusi, *The Economic Function in Political Life* (Rome, 1895), and Labriola, *Essays on the Materialistic Conception of History* (Rome, 1896). Our doctrine has been attacked by C. F. Ferraris, in his book, *Historic Materialism and the State* (Palermo, 1897), a work distinguished by great learning and circumstantial criticisms, several of which have,

however, been triumphantly refuted by Prof. Aldo Contento in his learned and interesting book, *Of the Economic Basis of History* (Bologna, 1897). At the same time the writings for and against Socialism abound. Enrico Ferri has broken a lance in favour of Socialism in his most eloquent paper, *Socialism and Positive Science* (Rome, 1895), in which he seeks to demonstrate that the theories of Darwin and Spencer logically lead to Socialism. It is well known that Spencer has protested against this interpretation of his theory, which may, at first sight, appear rather strange to those who are familiar with the liberalistic predilections and exaggerations of the great philosopher. Socialism has also been defended against its adversaries by Zerboglio, *Socialism and the most common Objections to it* (Palermo, 1895), and by Scarabelli, *Socialism and Bourgeois Superstition* (1895); while a passionate indictment has been made against socialistic theories and tendencies by Garofalo, a magistrate, *Socialistic Superstition* (Turin, 1895); by Fiorentini, a retired prefect, *Socialism and Anarchy* (Rome, 1895); *The March of Socialism* (1895); and by Boccardo, a Senator and State-councillor, *Systematic Socialism and Unconscious Socialists*. A candid discussion upon the scientific and moral value of Socialism will be found in the book by Seletti, *Whether Socialism reposes upon Scientific Bases* (Parma, 1896), and in a recent one by Chiappelli, *Socialism and Modern Thought* (Florence, 1897).

Among the equally numerous writings treating of Sociology we will call attention to that by Fragapane, *Contractualism and Contemporary Sociology* (Bologna, 1893); that by Celso Ferrari, *Nationality and Social Life* (Palermo, 1896), and especially that by Asturaro, *Sociology* (1897), which contrives to apply, with admirable skill, the economic theories to the interpretation of social phenomena; also that by M. A. Vaccaro, *The Bases of Right and of the State* (Turin, 1893).

Treating of the ancient Social History, excellent contributions have been furnished by Cicotti, *On the Decline of Slavery in the Ancient World* (Turin, 1897), and by Mauri, *The Free Workers in Attica in the Vth and VIth Centuries before Christ* (Milan, 1895). Upon the History of the Middle Ages we have writings by Scherma, *On the Industrial Guilds in Sicily* (Palermo, 1896); by Sitta, *The Universities of Arts in Ferrara from the XVIth to the XVIIIth Century* (Ferrara, 1896); and by Picarolo, *Abolition of the Servitude in the District of Vercelli*, 1896.

Upon the actual social conditions there are remarkable writings by Bodio, and numerous special essays, as *The Internal Migrations*, by Sitta (Genoa, 1896); *The Vagabonds*, by Cavaglieri and Florian (Turin, 1897); *Strikes*, by Virgilj (Turin, 1897); &c.

There is, finally, no lack of writers who have studiously applied themselves to tracing the lives and discussing the doctrines of Italian Economists of former times.

A prominent place among these patient diggers is deserved by Prof. Abel Morena, who, for some time past, has been preparing an edition of the old Tuscan Economists, to which an important preface

has been written by him, concerning the celebrated hydraulist, writer and minister, Fossombroni, *Victor Fossombroni, Economist* (Arezzo, 1896). Fabbroni, another Tuscan Economist, has found a most learned and conscientious biographer and critic in Gennaro Mondaini, *Giovanni Fabbroni* (Florence, 1897); while Massa has published a remarkable essay upon the Neapolitan Economist Briganti, *Filippo Briganti and his Economic Doctrines* (Trani, 1897).

Opposed to these writings of an essentially theoretical nature there are other remarkable works of a practical character, which are intended to restore that balance, the want of which is noticeable in our social economy—that great invalid on whom the iniquities of tyranny and the ineptitudes of liberty have inflicted festering wounds. There are in our country some burning questions which are calling for solution: the financial question, the banking question, the labour question, and the agrarian question.

Our finance is always hovering near the boundaries of deficit, and it is only at the cost of strenuous and persistent efforts that it succeeds in regaining a par, which is often purely illusory. On the other hand our whole tributary system is essentially vicious and antiquated.

The land tax presents the most perceptible inequality from region to region. A law of equalisation had been approved by Parliament, but the opposition by the landowners succeeded in obstructing and, in fact, preventing its being carried into effect. The tax upon movable wealth abstracts from small incomes an enormous aliquot part, while the larger incomes elude it by means of fraudulent declarations of incomes far below the reality. There is wanting in our system of contributions even the remotest indication of an application of the principle of progression; while the heavy and numerous indirect taxes, both governmental and municipal, upon the most necessary objects, as well as the heavy corn-duty of lire 7.50 per hundredweight give rise, in a measure which has not its equal in any other civilised country, to progression in a backward sense.

No less arduous is the Banking Question. Abstraction made from the Bank of Sicily, which as a matter of fact confines its sphere of action to the island, we will point to two Banks, the Bank of Italy and the Bank of Naples, which enjoy the privilege of issuing non-convertible notes. A series of robberies, frauds and corruptions of every description had almost totally consumed the capital of the Bank of Naples and had dragged it to the brink of bankruptcy. Logically, it would have been advisable to allow it to fail, and to limit the privilege of emission to one Bank exclusively, which would have rendered it more easy to get out of the mire of an inconvertible circulation. But politics did not permit the sacrifice of the Neapolitan institution, and the ever fertile ingenuity of Signor Luzzati found means to administer an elixir of longevity to the dying Bank. The project devised by the Minister and approved by Parliament obliges the Bank to deposit 45,000,000

lire in gold, which it still possesses, in the hands of the Government, receiving in exchange 50,000,000 of treasury notes, which it is required to invest in Public Debt; and the interest thus obtained must be devoted by the Bank itself to the gradual redemption from the Treasury of the gold deposited with the latter. In this manner, the Bank, after a certain number of years, recovers its 45,000,000 in gold, while it retains possession of their equivalent in Government securities. It is strange, however, that it should not have been perceived how the result aimed at by the Minister might have been obtained without this double play of exchanging gold against State notes, and the latter for securities, since it would have sufficed to authorise the Bank to commute its 45,000,000 of gold into Public Debt, obliging it to employ the interest on these securities in the repurchase of the gold. Nor is the complication introduced by the Ministerial project merely a useless tangle of operations; it is also harmful, inasmuch as it increases by 50,000,000 the emission of Government notes, which is instrumental in producing a still greater depreciation of the paper money, and in putting off the time when its convertibility might be decreed. At all events, thanks to this salvage, we are in the position of having two banks of emission: one of which subsists by the aid of Government; while the other has expended nearly all its capital in risky immobilisations and has no other revenue than that derived from its monopoly.

It will be easily understood how, under these conditions, and confronted with the enormous figure of the emission, which shows no tendency to reduction the convertibility of bank notes belongs in Italy to the realm of Utopia. Neither can the certainly praiseworthy efforts of the Government directed towards the increase of the metallic reserve of the Banks accomplish the modification of this state of things, because even the most conspicuous increase of banking reserves will never admit of the convertibility of bank notes while paper money is in a state of depreciation.

We are now facing the third of our social wounds—the Labour Question. In our factories an enormous protraction of work and a merciless overtasking of women and children is freely indulged in. Everybody is familiar with the startling revelations regarding the condition of the operatives in our sulphur works, where a precocious employment in most exhausting labour creates a generation of crippled and deformed dwarfs. No law for the repression of similar infamies has been voted by our Parliament, with the exception of a Bill regarding the labour of children, and this has been worded in such a manner as to render its application impossible. Our labour law is still a medieval one. No European country (not even Russia) is so backward as regards social legislation; what shall I say? even India could teach Italy how the integrity and the human dignity of the producer could and should be safeguarded. But we can scarcely expect social reforms worthy of the name from a Parliament which is.

the genuine organ of class interests; and the law project concerning the insurance against accidents in industry, which has been approved quite recently (July, 1897) by the Italian Senate, is truly an extraordinary event which marks an epoch in our political history.

Lastly, the agrarian question yawns before us, wider, deeper, and more painful still; it is matter of common knowledge by this time that the conditions of our agricultural classes are as pitiful as can well be imagined, and that, from the plains of Lombardy to the extreme confines of Sicily, one general cry of imprecation resounds throughout our rural districts. Leonine contracts, miserable wages, insufficient and unhealthy nourishment, horrible habitations, enormous labour and frequent unemployment, such is the idyl of Italian agriculture. While we are writing, agrarian strikes are bursting out in the districts of Ferrara, Cremona, and Emilia with such vehemence, as to necessitate a change in the itinerary of the Queen, who is travelling from Rome to Monza, in order to avoid her passing through the region in revolts. To quell these strikes, which testify to a deeply rooted distress, the Government has recourse to cavalry charges. The late Ministry had presented a project of a law on the subject of large estates, which, however, was to apply to Sicily only, where the social danger seems to advance with greater strides. But this project, which, by the way, was imperfect and full of incongruities, did not even enjoy the honour of discussion, nor were the doings of a Commission charged with the reform of agrarian contracts ever recorded, the said Commission never having arrived at any concrete and significant result.

This state of things, surely a most deplorable one, has had at least the merit of giving rise to a series of publications intended to denounce the social abominations in Italy, to expose the inertness of the Governments, and to invoke some redress. Concerning the financial question, we have some articles by Sonnino and by Ricca-Salerno in the *New Antology*; upon the banking question there are some remarkable writings in the same review by Maggiorino Ferraris and Frascara, and a courageous book by Colajanni, *Banks and Parliament*. Upon the social question, we will record the important writings treating of insurance against accidents by Prof. F. C. Ferraris, to whose enlightened and untiring labour we owe the result that the law concerning that form of insurance has been proposed and approved among us. Equally worthy of note is an article by the same author treating of *Insurance against Want of Employment*. Concerning the agrarian question, Rudini wrote in a conservative sense, *Uncultivated Soil and Large Estates* (Bologna, 1895). On *Paolo Balsamo and the Agrarian Question in Sicily*, Ricca-Salerno has written with moderation (*New Antology*, 1895). From the same writer we have an essay on *Niccolo Palmeri and the Agrarian Question in Sicily (Social Reform, 1897)*. Very remarkable for their powerful arguments are also the writings of Colajanni, *In Sicily* (Rome, 1894); *The Conditions of Sicily*, ib. id., and *Sorry Capitanata*, by Lo Re (1895, 1896).

I regret to have to conclude these rapid jottings with a very doleful note. A year has gone by since death deprived economic science in Italy of one of its most well-deserving cultivators in the person of Luigi Cossa; and now a foreign university robs the same science of one of its most doughty champions,—I allude to Maffeo Pantaleoni, who, from Naples, is transferred to Geneva. We are all the more displeased at this departure, as we consider Pantaleoni to be one of the highest intellects and most powerful characters of the Peninsula. And if it be true, as rumour has it, that he has been driven to this step by the annoyance which the Government caused him on account and in consequence of an article written by him upon the subject of the enterprises in Africa, then we have a further example of the injuries inflicted upon national studies by a State, which violates that freedom of thought and words which, to the scientist, is the most precious of liberties.

ACHILLE LORIA

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PARLIAMENTARY PAPERS.

The Thirty-second Annual Report of the Registrar-General for Ireland, 1896, [C. 8236],

Shows that in 1895 the marriage rate, 5·05 per 1000 of population, exceeds by 0·59 the average rate for the previous decennium. The birth rate and death rate also show a slight increase. Against the "natural increase" of population by nearly 22,000 is to be set the loss by emigration of nearly 49,000.

The Agricultural Returns for Great Britain, 1896, [C. 8502],

Show the acreage and produce of crops, the prices of corn, numbers of live stock, and other particulars. The statistics are interpreted by Major Craigie in a luminous report. He explains that the apparent decrease of the total cultivated area (under crops or grass) in 1896 as compared with 1886 is not serious. Within the cultivated area there has been a diminution of arable acres by more than a million since 1886; and an even greater increase in the category of permanent pasture. Within the arable area in 1896 compared with 1895, there has been a small recovery in the area under corn and under green crops, some increase of small fruit, some contraction of the surface under hops. Some of these statements must be slightly modified when we speak of the United Kingdom. An analysis of the recent special inquiry into the distribution of agricultural holdings (see Parl. Paper C. 8243) shows that the smaller holdings are more numerous but as a whole less extensive. The grouping of the total acreage corresponding to each size of holding is pretty symmetrical—about an average of 171 acres; the

grouping of the numbers of holdings corresponding to each size is extremely *skew*. One of the most interesting inferences made by Major Craigie relates to the import of food. Measured in avoirdupois—for money-value is a fallacious measure, especially in the case of cereals—the importation both of animal and of vegetable food per head of population has increased since 1876–80 not only in quantity but in proportion to the home production. Yet the home production per head has not decreased correspondingly—hardly at all in the case of meat. This anomaly is explained by the fact that the total consumption per head has increased.

Twenty-seventh Annual Report of the Deputy Master and Controller of the Mint, 1896. [C. 8507.]

The gold coinage issued in 1896, £4,808,860, was larger than in the year 1895, but below the average of the ten preceding years. The rehabilitation of the gold coin proceeds. The nominal value of the light coin withdrawn in 1896 was the same as in 1895. The average loss per piece has steadily declined.

The First Report of the Board of Trade of Proceedings under the Conciliation Act, 1896, [C. 8533],

Shows that thirty-one applications have been made for the assistance of the Department. The experience gained is said by Mr. Courtenay Boyle to point to the desirability of the presence at the meetings between the parties of an impartial mediator.

Final Report of the Royal Commission on Agricultural Depression. [C. 8540.]

The principal report, signed by all the members of the Commission except Mr. Channing and Mr. Lambert, attributes the existing depression mainly to the general fall in the prices of farm produce, particularly grain, wheat, and wool. An analysis of the various farm accounts supplied to the Commission shows that for the last twenty years farmers have received on an average only 60 per cent. of their former receipts. During the same period agricultural labourers are stated to have decreased by 242,000, while the total population has increased by almost 7,000,000. The recommendations which the main body, fourteen of the sixteen Commissioners, agree to are admittedly only palliatives.

A supplementary report signed by ten members forming a majority finds the general cause of the agricultural depression prevailing in all countries except India and the Argentine Republic in the monetary changes of 1873–4. They conclude:—

“ That while not suggesting the abandonment of the gold standard in this country, if a conference of the Powers were assembled and their deliberations

resulted in an international arrangement for the re-opening of the mints abroad and in India and the restoration of silver either wholly or partially to the position it filled prior to 1873, it would be of the greatest benefit to the industry of agriculture, that to promote such a conference her Majesty's Government should heartily co-operate with foreign Powers.

Perhaps the most remarkable portion of the report is the appended memorandum in which Sir Robert Giffen acknowledges that monometallists have made a mistake in not admitting the general fall of prices during the last quarter of a century. He dwells on the difference in the rate at which the decline of prices has progressed—much more slowly now than at first—and argues that the change upwards now would produce almost as great a disturbance as a change downwards in 1873. Bimetallism should not be discussed as a remedy for depression in a particular industry. If prices of agricultural produce are doubled, so would outgoings. Lastly, Sir Robert repeats his prophecy of a recovery in prices before long.

An appendix gives some reports received through the Foreign and Colonial offices on the agricultural position of foreign countries competing with this country. A memorandum by Sir Robert Giffen puts forward as a cause of low prices, a diminution in the demand for cereals consequent on the increase in the demand for animal food. But this displacement of wheat by meat cannot go on indefinitely.

OBITUARY

ANTONY JOHN MUNDELLA, who died last July, was born in 1825, the son of an Italian refugee. Having entered the hosiery business at Nottingham he commanded success by his abilities, and deserved it by his concern for the interests of his workpeople. Power followed wealth, and Mundella sat in several Parliaments, a consistent adherent of Mr. Gladstone. He was twice President of the Board of Trade. He was the author of the Bill for arbitration in trade disputes (1892), and other bills relating to matters with which he was specially conversant. His most enduring title to fame is the establishment of a Board of Conciliation in his own business. He first taught men and masters to adjust their differences meeting round a table. The Board which Mundella instituted was indeed not long-lived, but it left a numerous progeny of like type, not only in the textile, but also in the mining industries. Should conciliation ever take the place of competition as the regulator of distribution, Mundella may be remembered longer than some who, with more analytical power, though less practical sagacity, have laboured to develop those portions of economic science which are harder both in a moral and an intellectual sense.

CURRENT TOPICS.

At the twenty-ninth annual Co-operative Congress, which was held last June in Perth, under the presidency of Mr. Maxwell, Chairman of the Scottish Co-operative Wholesale Society, a resolution was passed declaring that the time had arrived for the direct representation of the co-operative movement in Parliament and the other councils of the Kingdom. The annual report showed for 1896 an amount of total sales over £57,000,000, an increase of more than 9 per cent. on the amount for 1895.

AMONG the numerous publications which are issued by the Italian Statistical Department under the direction of the indefatigable Signor Bodio, the one relating to Co-operative Associations for Distribution is of special interest to the Economist. There existed 1013 such societies at the end of 1895, but returns have not been obtained from all. The membership of 283 societies was almost 100,000; and the value of the goods sold by 291 societies in the year to which the figures refer, in most cases 1892, was almost £1,000,000. Since 1892 it may be presumed that a considerable increase has taken place. The majority of the societies sell at cost price, one which is sufficient to cover the cost of goods and working expenses and even a moderate profit; but the larger societies are said to sell at current prices. Several of the societies give credit limited to the amount paid up on the members' shares.

RETURNS have been obtained by the Labour Department in continuation of the "Report on Profit Sharing" which was noticed in the ECONOMIC JOURNAL (vol. iv., p. 556). The small proportion of *bonus* to wages which Mr. Schloss insisted on in that report, and in an earlier article in the ECONOMIC JOURNAL, June, 1891, is maintained in the recent statistics. In the case of 72 firms comprising some 20,000 employees, there was a mean bonus of 4·9 per cent. on wages in 1896, as compared with 4·7 per cent. in 1895.

THE admirable statistics of the wages of domestic servants which were given in the *Labour Gazette*, June, 1894, and January, 1895, for London and Manchester (See ECONOMIC JOURNAL, vol. v., p. 147) are continued in the June number of the *Gazette* for Scottish towns, principally Glasgow, Edinburgh, and Dundee. Whether the returns are classified according to the different age periods, or according to the number of the servants in a household, or according to the branch of service—cook, housemaid, &c.,—the close agreement of the figures is striking. For example, the average wages in pounds per year, is, in Glasgow,

Edinburgh, Dundee, London, Manchester, respectively for servants under twenty years of age,

16·2, 15·4, 15·1, 15·0, 15·5;

for households with two servants,

16·5, 16·0, 16·3, 16·8, 16·3.

The average annual wages for parlourmaids is for the Scottish towns £28, for Manchester £28, for London £27. Such slight differences as these are between the wages of the different branches of service in the several localities would be diminished if account is taken of the differences of age. The levelling price of competition has never been better evidenced.

SIR ROBERT GIFFEN is about to retire from the office of Controller of the Commercial and Statistical Department, having reached the age at which retirement is permissive though not obligatory. Greatly as he would benefit the public service by his continuance in office, the advantage resulting to the students of Economics from his retirement will be even greater. The leisure and liberty which he will henceforward enjoy will doubtless be conducive to further investigations in Political Economy and fuller expression of their results. If he has done so much for the science while hampered by the trammels of office, what may we not expect from him now that he is free!

THE members of the British Economic Association who listened to Mr. Pierson's masterly discourse on the occasion of the annual dinner last March, will have learnt with satisfaction that he has been placed at the head of the newly formed Dutch Cabinet, which unites the two sections of the Liberal party. The elevation of Mr. Pierson is of good omen for the cause of free trade in Holland, which he commended to our sympathy. The danger which he apprehended from the incomplete education of the newly enfranchised masses appears to have passed away. Mr. Pierson himself has doubtless done much to educate his people, in his capacity of President of the Free Trade League, as well as by his classical treatise. It is a significant coincidence that the publication of his new volume, in which one chapter is directed against the revival of Protection, was almost contemporaneous with his formation of a new Cabinet. To be the leading economist as well as the Prime Minister of his country is indeed a conjuncture as auspicious as it is rare. To find a parallel we must go back to Turgot.

SPEAKING of the new Dutch Cabinet we cannot pass over in silence the Minister for Foreign Affairs, Monsieur De Beaufort, whose historical

writings often touch on subjects which concern the publicist ; witness his essay on *English and Dutch Projects of Free Trade*. The talents of an historian may be considered hereditary in a family which in a former generation produced that Beaufort who was the precursor of Niebuhr.

MR. W. A. S. HEWINS has been appointed to the Tooke Professorship of Economic Science and Statistics at King's College, London, vacated by the resignation of the Rev. W. Cunningham. Mr. Hewins is the author of *English Trade and Finance Chiefly in the Seventeenth Century*, a work which combines logical with historical accuracy in an unusual degree. The writer concerns himself with the truth of doctrines as well as their origin ; and, like good old Richard Jones, is not afraid of describing some of our forefathers' theories as "delusions." Mr. Hewins has been the Director of the London School of Economics and Political Science since its foundation.

THE next Session at the London School of Economics will commence on Friday, October 1, with an Inaugural Lecture at the School, at 8.30 p.m., by Prof. Hewins, M.A., Director of the School. Amongst the special courses of lectures which will be given during the Michaelmas or Lent terms are the following :—Mr. Sidney Webb, on "The Policy of Trade Unionists with regard to new Processes and Machinery." Miss E. A. Macarthur, on "The Development of the Office of Justice of the Peace, with special reference to its Economic Functions." Mr. C. A. M. Barlow, on "Modern Company Law and its Effect on the Development of English Commerce." Mr. W. M. Acworth, on "Railway Economics," and Mr. H. J. Mackinder, on "The Geography of certain great Railways." Sir Edward M. Thompson and Mr. Hubert Hall, on "Paleography and Diplomatic" (*sic*). Prof. H. S. Foxwell, on "Banking and Currency." Prof. F. Y. Edgeworth, on "The Theory of Bimetallism." Prof. Hewins, on "The Comparative History of the Free Trade Movement in England, France, Germany and the United States." F. W. Lawrence, on "Local Variations in Rates of Wages." G. Lowes-Dickinson, on "The Use of Political Terms." F. W. Hirst, on "English Local Government." Prof. Dicey, on "The Comparative Study of Constitutions." G. L. Gomme, on "The Principles of Taxation." Miss Tomlin, on "The Referendum." Mr. Graham Wallas, on "Suggestions for the Quantitative Study of Politics." In the Statistical Division there will be an Inaugural Lecture by Mr. H. Llewellyn Smith, and classes by A. L. Bowley and C. P. Sanger.

THE Russell Studentship of £100 a year at the London School of Economics has been awarded to Miss Beatrice Hewart, B.Sc., of London University. Studentships have also been awarded to Mr. H. E. Fremantle, of Oriel College, Oxford, and to Miss L. Ilbert, of Somerville College, Oxford.

THE third volume of Prof. Cohn's *System der Nationalökonomie* will shortly be published by Ferdinand Enxe, Stuttgart (*Die National-ökonomie der Handels . . .*). It will contain the Economy of Commerce, Banking, Insurance and Means of Communication.

THERE is announced a translation of Cournot's "Researches into the Mathematical Principles of the Theory of Wealth" (1838) by Nathaniel T. Bacon, with a Bibliography of Mathematical Economics by Irving Fisher, to form one of the Series of Economic Classics published by the Macmillan Company in New York.

RECENT PERIODICALS AND NEW BOOKS

The Economic Review.

July, 1897.

English Towns and Roads in the Thirteenth Century. ALICE LAW.

Recent Aspects of the Currency Question. H. M. CONACHER.

The doctrine that a depreciated currency acts as a bounty on exports is discussed in the light of Professor Marshall's *Evidence* (before the Gold and Silver Commission) and Professor Lexis' article (in the *ECONOMIC JOURNAL*).

The Failure of Co-operation. JOSEPH ACKLAND.

"Co-operative Societies are charging to their members larger profits than tradesmen do." Eight packets of tea bought from three private traders and two co-operative societies were submitted for valuation to experts. It was found that the societies were getting from 40 to 50 per cent. beyond the fair value of the articles. Large dividends derived from exorbitant prices paid by members are a sham. Speculation is encouraged, workmen are sweated. How long shall the system be encouraged by an exemption from income tax?

Citizenship and Personality. EGERTON SWANN.

Modern Criticisms of the Poor Law. REV. R. L. PHELPS.

The Act of 1894 broadening the basis of poor law administration has not been followed by considerable changes in fact or regrettable changes in theory. Referring to the last central conference of poor law guardians the writer agrees with the proposal of the reformers to abolish all outdoor medical relief and make a workhouse infirmary as acceptable as a hospital. As to the question whether our workhouses shall be turned into almshouses, in view of the rise in the standard of living outside, they might be more cheerful without ceasing to be deterrent.

Let us have quarters for our married folk; let us have courses of instruction for our able-bodied. . . . let us decorate our walls, and encourage visitors, and diminish the isolation. . . . find food for the mind and a certain variety of interest.

These and other proposals of the reformers are adapted to the difference that exists between 1834 and 1897.

Under the head of *Legislation*. . . . Mr. Cannan, commenting on

the Report of the Registrar-General in England for 1895 argues that there is little or no evidence of any change in the force of the domestic causes which seem to be bringing to an end the period of rapidly increasing population. It appears that "widowers and widows appear to be more and more content with the widowed state, or less and less attractive." In 1876, out of 1000 marriages the bridegroom was a widower in 141 cases and the bride a widow in 103. The corresponding figures in 1895 are 109 and 76.

Journal of the Royal Statistical Society.

June, 1897.

Agriculture in Essex during the past Fifty Years. F. C. DANVERS.
Savings Banks at Home and Abroad. H. W. WOLFF. *Inclosure and Reservation of Open Lands.* SIR ROBERT HUNTER.

The Nineteenth Century.

June.

Do Foreign Annexations injure British Trade? HENRY BROCHENOUGH.
 Not much. We carry on a large and increasing trade with the colonies of foreign powers.

July.

How Poor Ladies Live. FRANCES H. LAW.
 A sharp rejoinder to the articles on this subject in a former number.

August.

School Children as Wage Earners. EDITH HOGG.

An inquiry instituted by the Women's Industrial Council shows that at least five per cent. of some 26,000 children observed suffer from overwork which, while economically inefficient, is detrimental to education and morality. The employment of children not under the Factory Acts requires further regulation.

Fortnightly Review.

June, 1897.

Imperial Free Trade. SIR G. BADEN-POWELL, M.P.

The recent action of Canada tends not to preferential treatment of the Mother Country, but to Free Trade. Against differential duties within the Empire is the fact that the trade of British possessions with foreign countries is increasing more rapidly than their trade with each other—the former by 266 per cent., the latter by 67 per cent.—since 1895.

The Contemporary Review.

June, 1897.

*Our Financial Relations with the Land; a Reply to Mr. Courtney.*T. LOUGH, M.P. [See May number of *Contemporary Review*.]

In reply to the contention that the duties on alcoholic drinks are maintained partly as a penalty in case of excess :

“The reductions in the taxes on stimulants in England have been quite as striking a feature of our fiscal policy as the increases have been in Ireland.”

In reply to the contention that expenditure on administration in Ireland may be set off against her imperial contribution :

“Much of the so-called imperial expenditure is simply a subsidy to industries, localities, and great classes of the population in England. . . . All the expenditure connected with royal palaces takes place in Great Britain, yet it is all treated as ‘imperial,’ and Ireland is asked to contribute to it. On the other hand, the expenditure connected with the sham court of the Viceroy is treated as purely Irish.”

In reply to the argument that the question is one of persons not areas :

“Surely it is possible to imagine two groups whose circumstances may be so different that, when the same system is applied to them, it will be a help and blessing to one, and a burden and curse to the other. If not, the same system of taxes might be applied to India and Great Britain.”

The National Review.

June.

Ireland and Bimetallism. E. F. V. KNOX, M.P.

The fall of prices has aggravated rent to the tenant while seeming to the landlord to reduce it. The “System of Gold Monometallism” is also responsible for the decline in the linen trade, since without bimetallism any considerable reduction in the American tariff is impossible.

The Bimetallist for June contains the address given at the annual meeting of the Bimetallic League by Mr. Jamieson, British Consul at Shanghai, who dwelt upon the disturbance of trade caused by the rupture of the par of exchange between the East and the West. He admitted, indeed, that

“the market instantaneously and automatically almost adjusted itself to every successive change in the gold value of silver. . . .

“He had often said to some of his friends engaged in the export trade from Shanghai, ‘This last drop of a penny in exchange ought to do you a good turn ; you ought to clear an extra 3 or 4 per cent. on your current shipments of silk.’ ‘Yes,’ the reply would be, ‘that might have been, but we have just heard by telegram that the London and Lyons markets have dropped by precisely that amount.’ . . .

“But there had been a very serious effect on the status of the middlemen :

that was, the distributing agents between the English manufacturer and the Chinese purchaser. On them had fallen the brunt of the petty and incessant fluctuations in the price of silver. . . .

"The uncertainty of the trade had chilled their energies. They worked on the old lines to make bread and butter, hardly venturing to initiate any new. They hesitated to invest their money in new enterprises, not knowing how it would come back to them."

An injurious effect on production was exercised through the fact that the change in prices brought about by foreign trade had at first no direct effect on wages and rents, and none at all on fixed charges.

"Wages, though quick to rise, were slow to fall, and invariably lag behind a fall in prices. The result was that every fall in silver, disturbing as it did the general level of prices, must disturb the relation between labour and capital. Fluctuations in silver, in short, tended to create the same disturbance in wages as they did in prices. The one necessarily and inevitably followed the other. Silver-using countries were similarly affected, but just in the inverse sense."

The fall in silver had benefited the manufacturer there. He had no hesitation in saying that but for the fall in silver they would have had no such Eastern competition—at all events, not at the present moment.

Quarterly Journal of Economics (Boston).

July, 1897.

The Tory Origin of Free Trade Policy. W. J. ASHLEY.

When Child said "the common interest of the nation in general is to buy cheap," when Barbon said "the freer the trade is the better the nation will thrive," when Dudley North said "money is a merchandise," when Davenant said "money is at bottom no more than the counters with which men in their dealings have been accustomed to reckon," they were not thorough-going free-traders. They had not refuted the fallacy of a general balance of trade. Their friendliness to French trade was based on opposition to the Whigs. "As the eyes of Tory pamphleteers were made more penetrating by party prepossessions, the eyes also of a great philosopher who was a Whig [Locke] might also be dimmed by party prepossessions."

Certain Tendencies in Political Economy. BERNARD MOSES. *The German Exchange Act of 1896.* ERNST LOEB. *The Value of the Money Unit.* T. N. CARVER. *The Career of Francis Amasa Walker.* CHARLES F. DUNBAR.

Political Science Quarterly (New York).

June, 1897.

The National Finances, 1893-7. ALEXANDER D. NOYES. *Trade Combinations at Common Law.* Prof. F. J. GOODNOW. *The Horse-Nail Association.* CHARLES E. EDGERTON. *The Nature of Corporations.* JOHN P. DAVIS. *Walker's Work in Economics.* Prof. H. T. HADLEY.

Journal of Political Economy (Chicago).

June, 1897.

Monetary Reform in Russia. H. PARKER WILLIS. *Fall in the Price of Silver since 1873.* E. S. MEADE.

The Yale Review for May, 1897, contains some notable notes on the movement and stability of prices. The writer, in a review of Mr. F. Atkinson's recent statistics (*Royal Statistical Society's Journal*, March, 1897), deduces an average rise in price of 17 per cent. in the silver standard countries. The statistics of wages compared with prices for India and Japan show a gain to the labourer during falling prices, a loss during rising prices, assuming that retail prices correspond to wholesale prices. There is found in Mr. Atkinson's figures a fresh confirmation of Prof. Irving Fisher's *Appreciation and Interest* (reviewed in the *ECONOMIC JOURNAL*, vol. vi., 567). Mr. Atkinson's conclusion that, before the demonetisation of silver, gold was a more stable measure of value than silver is criticised. "Since for this period gold and silver never varied appreciably from each other, one was as good a 'measure of value' as the other." The writer suggests a method of measuring variability in prices—by finding the mean deviation of the index numbers from their average for a short period (five years). Thus the average of such averages for seven quinquennia is 4.4 per cent. for English gold prices, 5.7 per cent. for Indian silver, or rather rupee, prices. This difference may be due to other contrasts between the countries than the difference in standards. To compare the variability of gold and prices, "the best way is to calculate the mean variations for each country, first under the standard actually employed by it, and secondly after translating its prices into the opposite standard." According to this test, applied to the United States, England, Germany, and India, silver prices are the more stable. [The ratio between the mean deviation for silver prices and that for gold prices is on an average of the countries less than 8:1.] This circumstance may account for the fact that since the breakdown of bimetallism, the unsteadiness of prices has increased in the United States, England, and Germany, but not in India. It is intimated, however, that the estimate of oscillation in gold prices is exaggerated by the existence of a steady downward movement.

In the *Bulletin of the Department of Labour* (Washington), Mr. William C. Hunt analyses the results of the Federal Censuses for 1870, 1880 and 1890, respecting *workers at gainful occupations*; concluding that there has been a perceptible increase in the proportion of persons engaged in the higher grades of work in 1890 as compared with 1870.

Revue d'Économie Politique (Paris).

June, 1897.

Quelques expériences de Conciliation par l'État en Australasie. A. BERTRAM. *La répression du travail en Chambre.* E. SCHWIEDLAND. *Une monographie d'impôt. La taxe mobilière à Genève.* A. ACHARD.

July.

Théorie du libre échange. LEON WALRAS. By an analysis of international exchange, taking account of changes in the level of prices, it is concluded that free trade produces the perfect result of a gain of utility to consumers of imports without loss of utility to producers of exports, and without gain or loss for the proprietors of agents of production in general, only upon condition of the mobility of labour and capital (*détournement des services producteurs*) from the production of the imported articles to the exporting industries. But this mobility is imperfectly realised, especially in the case of land; no wonder that peasant proprietors are protectionists. Free trade presupposes not only the economic unification of the world, the suppression of wars, but also the nationalisation of land so much opposed by the official economists. Their way of defending free trade reminds one of the man who was always trying experiments in electric lighting and always failing. It turned out that he was in the pay of the gas companies.

La répression du travail en Chambre. E. SCHWIEDLAND.

L'Étalon d'or au Japon. M. BOURGOIN. The new regulations are stated in detail, and it is attempted to forecast the consequences on the level of prices, the interests of creditors, &c.

Les Boucheries Coopératives en Angleterre. F. ROCKELL.

Journal des Économistes.

June, 1897.

Lettres inédites de J. B. SAY. [A letter addressed to Macvey Napier gives information about the Bank of France. The letters to Bentham are mostly political.]

Les chambres de compensation et les caisses de liquidation. Mouvement scientifique et industriel. *Revue de l'Académie des sciences morales et politiques.*

July.

Le crédit agricole. Rapport d'une commission des valeurs agricoles instituée en 1882. Les chambres de compensation et les caisses de liquidation (fin). *Revue des principales publications économiques de l'étranger. Le coopération dans l'agriculture danoise. La crise médicale, un bon symptôme.*

August.

La guerre à coup de tarif. Le socialisme chrétien. Le mouvement agricole. Revue des principales publications économiques en langue française. Vingt années de commerce. Le "juste salaire" dans la colonie de Victoria. Le chic, le sport et la mode.

Jahrbücher für Nationalökonomie und Statistik (Jena).

June, 1887.

Der Ausstand der Hamburger Hafenarbeiter 1896-97, II.

July.

Eine Untersuchung über den Gewerbebetrieb. . . RICHARD RÖSSGER.

Zur Entstehung der deutschen Stadterfassung. WILLI VARGES.

Finanz Archiv (Stuttgart) 14^{er} Jahrgang 1^{er} Band.

Mainly devoted to Austrian finance. A long article by Dr. R. Seighart discussing the reforms and developments introduced by the law of 1896 in respect to the direct personal taxes is followed by the full text of the measure. Dr. Max Meyer supplies a concise note on the budget of 1897, and Dr. Wickett elaborately studies the Austrian tobacco monopoly in both its fiscal and economic aspects.

Amongst the other articles are: (1) a summary of the report of the Irish Financial Relations Commission by Dr. Juhlsen; and (2) a note on the recent debt conversions in Germany.

Giornale degli Economisti. (Rome.)

June, 1897.

Della base economica della Storia. A. CONTENTO.

Le modificazioni alla imposta sui redditi di ricchezza mobile. A. DE VITI DE MARCO. The modifications proposed by the Ministry are objected to as infringing the general principle of direct taxation in Italy, viz., that the imposts on real (*prediale*) and personal (*mobile*) property should be mutually corrective.

Osservazioni sulle "Modificazioni alle vigenti leggi sull'istruzione pubblica," proposte dal Ministro Granturco. M. PANTALEONI.
Il Programma dei Liberali in Materia di Politica Ecclesiastica.
Several writers.

July.

La teoria pura del Monopolio. F. Y. EDGEWORTH.

A system of bargains in which two or more monopolists deal with parties competing against each other is in general indeterminate.

This and other propositions stated summarily in the *ECONOMIC JOURNAL* (articles on *The Pure Theory of Taxation*, March and June, 1897), are here demonstrated mathematically.

La Crisi agrumaria e i provvedimenti di legge.

The American tariff is but the occasion of the crisis in the bitter-fruit (oranges, lemons, &c.) industries, which is part of the general agricultural depression caused by protection. When over-production is complained of it is forgotten that the orange growths of California are fostered by the exclusion of American corn from Italy. The reduction of protectionist tariffs, even if unilateral, would be beneficial. The tax on grain now presses on the consumers twice as hard as the old tax on grist. The proposal of the Ministry to grant exemptions of taxes in favour of the suffering interest forms a dangerous precedent for diverting capital and labour from the more profitable applications. The provisions of the projected law are at best "piccoli spediti."

La discussione alla Camera sul Caso Frezzi. F. G. GUERAZZI.

La legge Inglese, 7 Giugno, 1897, sulla assicurazione del lavoro.
A. CABIATI.

August.

Osservazioni sulla spinta contributiva delle tasse. A. PUVIANI.

Di una applicazione delle dottrine agronomiche alla rendita fondiaria.
A. CABIATI.

I Sindaci. . . . JÉHAN DE JOHANNIS.

In *La Riforme Sociale* (Naples and Turin) may be noticed, *inter alia*, in the May number, an article on the crisis in the bitter-fruit industry, by Professor J. Salvolini. The disasters occasioned by the American tariff had been prepared by precarious methods of business.

In the July number Mr. F. C. Montague gives an account of an English social reformer—Arnold Toynbee.

NEW BOOKS.

BOISSEVAIN (G. M.). *The Monetary Situation in 1897.* [Translated from the Dutch.] London and New York: Macmillan and Co. 8vo, pp. 94.

BULLOCK (C. J.). *Introduction to the Study of Economics.* Boston: Silver, Burdett and Co. 8vo, pp. 511. \$1.50.

GASTRELL (W. S. H.). *Our Trade in the World in Relation to Foreign Competition, 1885-95.* London: Chapman. 8vo. 6s.

HALLARD (J. H.). *Gold and Silver. An Elementary Treatise on Bimetallism.* London: Rivington and Co., 1897. Pp. 122.

LEADAM (I. S.). *The Domesday of Inclosures, 1517-18.* [Returns transcribed and edited, with statistical tables.] Royal Hist. Soc. London: Longmans. 2 vols. 8vo, pp. 715.

LONSDALE (SOPHIA). *The English Poor Laws, their History, Principles, and Administration. Three Lectures.* London: King and Son. 8vo, 1s.

MONGREDIEN. *History of Free Trade. 2nd Edition, with chapters added by Rev. Dr. Gibbins.*

SKINNER (T.). *London Banks and kindred Companies and Firms, 1897.* London, 1897. 8vo, pp. 536. 10s.

WEBB (SIDNEY). *Labour in the Longest Reign.* Grant Richards, Henrietta Street, W.C. 1s.

WILLIAMS (ERNEST EDWIN). *The Foreigner in the Farmyard.* London: W. Heinemann. 1897.

[Some useful statistics are to be found along with arguments in favour of Protection.]

ADAMS (HENRY C.). *Economics and Jurisprudence.* American Economic Association. *Economic Studies.* New York: Macmillan and Co., 1897. Pp. 48.

BAX (E. B.). *Outspoken Essays on Social Subjects.* London: W. Reeves; New York: Scribner's. 8vo, pp. 18. \$1.

BELLAMY (E.). *Equality. A sequel to Looking Backward.* New York: D. Appleton Co. 12mo. \$1.25.

HANDY (W. M.). *Banking Systems of the World. An Impartial Statement of the Conditions of Note Issue in all Countries. . . . Also Postal Savings Banks.* Chicago: C. H. Kerr and Co. 12mo, pp. 190. \$1.25.

WILLCOX, PH.D. (WALTER F.). *Area and Population of the United States at the Eleventh Census.* *Economic Studies.* American Economic Association. New York: Macmillan Company. London: Swan Sonnenschein and Co. 1897.

CHMERKINE (N.). *Les Conséquences de l'Anti-sémitisme en Russie avec une préface de G. de Molinari.* Paris: Guillaumin et Cie., 1897. Pp. xlv. and 188.

[A curious and detailed study on the economic consequences of the expulsion of Jewish money lenders from several provinces of Russia, concluding that owing to the absence of competition the Russian peasantry is more thoroughly fleeced than before.]

DENIS (HECTOR). *Histoire des Systèmes Economiques et Socialistes.* 1 vol. *Les Fondateurs.* Bruxelles: Ch. Rozet. Pp. 275.

[The author divides the history of Economic Science into three periods: (1) Its development as a branch of sociology regarded from a metaphysical standpoint; (2) Its development as a branch of politics regarded as the science of riches; (3) Its development as a branch of sociology, from the standpoint of a positive organic science. The two first periods only, as represented by the Physiocrats and the school of Adam Smith respectively, are dealt with in this volume.]

GIDE (CH.). *Le Crédit Personnel de l'Agriculteur et les Sociétés de Crédit Agricole.* Paris: Rousseau. 8vo, pp. 170.

GOMEL (CHARLES). *Histoire financière de l'Assemblée Constituante (1790-1791).* Paris: Guillaumin et Cie., 1897. 8vo. Pp. 586.

[This second volume of a work which fills up a hitherto existing gap in the historical literature of France, is commendable for its soundness and solidity.]

NICOLAI (EDM.). *Salaires et Budgets Ouvriers en 1853 et 1891.* Bruxelles: Hayez, 1895.

RAFFALOVICH (ARTHUR). *Le marché financier en 1896-1897.* Paris: Guillaumin et Cie., 1897. 8vo. Pp. 671.

[Valuable for its extensive and well-digested information.]

SEIGNOURET (M. E.). *Essais d'Economie Sociale et Agricole.* Paris: Guillaumin et Cie., 1897. Pp. vii. and 298.

[A reprint of lectures delivered about thirty years ago in Bordeaux.]

VANDERVELDE (ÉMILE). *La Question Agraire en Belgique.* Paris: Giard et Brière. Pp. 32. 20 centimes.

An account of the present condition of the agricultural classes in Belgium, and of the change from peasant proprietorship to capitalist farming which is taking place, with special reference to the spread of socialism amongst the agriculturists.]

VANDERVELDE (ÉMILE). *Le Livre III. du "Capital" de Marx.* Bruxelles: au siège de l'Institut des Sciences Sociales. 1897. Pp. 27.

[A summary of the third book of Marx's "Capital," intended as an introduction for French readers to the Marxian theory of economics with which M. Vandervelde believes they are generally unacquainted.]

GOTTL (DR. FRIEDRICH). *Der Wertgedanke ein verhülltes Dogma der Nationalökonomie.* Jena: G. Fischer. 1897. Pp. 76.

HALLE (DR. ERNST VON). *Baumwollproduktion und Pflanzungswirtschaft in den Nordamerikanischen Südstaaten.* (Staats- und socialwissenschaftliche Forschungen, Band xv., Heft 1.) Leipzig: Duncker und Humblot. 1897. Pp. 369.

[A detailed history of the cotton industry in the Southern States of North America from the time of their first colonisation, brought down in the present volume to the period of the emancipation of the slaves; contains an account of the physical conditions of the different States from the point of view of their suitability for the cultivation of cotton, and of the different processes employed in its cultivation and the first stages of preparation, as well as a mass of statistics bearing on the growth and distribution of the white and coloured populations, and the development of the industry.]

KLEY (WILHELM). *Die Berufskrankheiten und ihre Stellung in der staatlichen Arbeiter-versicherung.* Cassel, 1897.

PRAGER (MAX). *Die Währungsfrage im den Vereinigten Staaten.* (Münchow Volkswirtschaftliche Studien.) Stuttgart.

SCHANZ (G.). *Neue Beiträge zur Frage der Arbeitslosenversicherung.* Berlin: C. Heymann. 8vo, pp. 216. 4 m.

SCHULZE-DELITZSCH. *Vorschuss und Kreditvereine als Volksbanken.* Neu bearbeitet von Dr. Hans Crüger. [Vol. I. in Handbibliothek f. deutsches Genossenschaftswesen.] Breslau: E. Morgenstern. 8vo, pp. 352. 5 m.

STAMMHAMMER (JOSEF). Bibliographie der Social-Politik, 1896. Jena: Gustav Fischer. Lexikon 8vo, 4 Seiten Titel und Vorrede, 648 Seiten Text. 18 m.

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THE ECONOMIC JOURNAL

DECEMBER, 1897

SOME FALLACIES IN THE THEORY OF DISTRIBUTION

THE last thirty years have witnessed a striking advance in our conception of economic rent. We have seen that the Ricardian law is applicable to the monopoly of brains as well as to the monopoly of land; we have seen that the theory of differential gains can be applied to the advantages of the consumer as well as to those of the producer. They have also witnessed a no less striking overthrow of some of the old doctrines with regard to wages and interest. The wage-fund theory in the one case, and the crude productivity theory in the other, have been either abandoned, or modified out of all recognition.

But when we look to see what theories of wages and interest have been substituted for the old ones, the result is not so satisfactory. We have solved the less important part of the problem of distribution—that relating to the separation of competitive and differential gains. We are as far as ever from having solved the much more important question as to the shares of labour and capital. And the worst of it is, that very few economists seem to be aware of the deficiency, or of the loss of practical influence to which it subjects them.

It is, I think, not invidious to single out three books as representing the most careful contributions to the theory of distribution made in recent years. These are Böhm-Bawerk's *Positive Theory of Capital*, Wieser's *Natural Value*, and Marshall's *Principles of Economics*. Böhm-Bawerk presents an extremely

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able theory of interest, but in such a form that it is difficult to co-ordinate it with a discussion of the rate of wages—a difficulty which has only been emphasised by Taussig's attempt to solve it. Wieser gives a co-ordinate solution of the problems of wages and interest, but by a method which, as I hope to show, is not only inapplicable in practice but inadmissible in theory. Marshall avoids Wieser's errors, and offers a most able discussion of the conditions which determine the *price* of various forms of labour and capital; but to the *rate* of interest he gives surprisingly little space, and what little he does give, is marked by less than his ordinary care in analysis. Marshall has, in fact, treated problems of *remuneration* rather than of *distribution*; of prices of products rather than shares of income.

The average trained economist of the present day uses a somewhat crude combination of the methods of Wieser and Marshall. It is, I think, generally assumed as the basis of economic teaching—

(1) That there are curves of *normal* supply and demand, which for most articles correspond in their form to the curves of market supply and demand. The curve of normal demand is based on marginal utility to consumers, which tends to diminish as the quantity consumed increases. The curve of normal supply is based on marginal cost to producers, which tends (though less universally) to increase as the quantity produced increases. The intersection of the two curves determines the normal price—a price at which the utility to the last consumer balances the cost to the last producer. The demand is made up by those persons to whom the consumption of the article in question represents a degree of utility as great as, or greater than, its price; the supply is made up by those persons to whom the production represents a cost per unit as small as, or smaller than, the price. Wherever the utility to the consumer is greater than the price, we see the phenomenon of consumers' rent; wherever the cost to the producer is less than the price we see in some form or other the phenomenon of producers' rent.

(2) The cost is itself made up of two elements—labour and waiting. The payment for the former is represented by wages; the payment for the latter by interest. As long as the utility due to increased labour exceeds the pain involved in working, there will be increased applications of labour. As long as the utility due to increased capital exceeds the sacrifice involved in waiting, there will be increased applications of capital. The *relative* amounts paid in wages and interest will be such that the

last unit of compensation for pain will produce the same amount of utility as the last unit of compensation for waiting. Capital and labour are considered as applied in successive *doses*. As long as a dose of capital of given value produces more economic results than a dose of labour, there will be a demand for capital rather than for labour; in the converse case, there will be a demand for labour instead of capital. Wages and interest adjust themselves to the point when the last dollar spent for the one has the same productive efficiency as the last dollar spent for the other.

In spite of all the care which has been expended in the elaboration of this method, its fruitfulness seems to me very doubtful. It regards capital as either competing or co-operating with labour in the field of employment. But this is true only of a part of capital, and that not the largest or most important part. Take the case of food. We certainly cannot say that it competes with labour; we cannot, in any proper sense of the word, say that it co-operates with labour. The labour is a transmutation of the food. The conception of a dose of food injected into the productive process in any way except through the medium of labour is irrational.

We may, if we please, contrast wheat as a commodity with labourers as a commodity. We may say, that where labourers are bought and sold as slaves, a scarcity of wheat would mean a high price of wheat and a low price of slaves. But the chief reason for the low price of slaves would be the necessity of getting them wheat in the current year—in other words the necessity of paying them high wages. We can say that the price of wheat, as an object of consumption, is high on account of its scarcity; we cannot say that the holder of wheat gains and the labourer loses in the “productive contribution imputed” to him. The labourer must have wages enough to pay for the wheat, or else he cannot be a labourer at all. Small food supply diminishes the labour supply rather than the labour price.

As a matter of exchange, scarcity of wheat may make the wheat command a high price, and give those who have produced wheat a larger share than they otherwise would have had of the capital available for investment next year. This gain is chiefly, if not wholly, at the expense of other capitalists. I cannot find any proof, or see any chance of proof, that it has the effect of raising aggregate profits at the expense of aggregate wages.

Nor is the result very different in the case of machines and other forms of capital which do co-operate or compete with labour. To be sure it is true that where machines are scarce they will

command a high rental value, *if the forms of capital suited for the labourer's consumption are abundant*. In this case the holder of the abundant form of capital suffers the loss attendant upon having produced the wrong thing. If machines and food are both scarce, there is no evidence that the share of current product obtained by the owner of the machine is high. The reverse seems quite as likely to be true. I am inclined to think that if Wieser had expressed his results in dollars or pounds, instead of in *x*'s and *y*'s, he could hardly have failed to recognise the want of conformity between his theory and the actual economic conditions which are to be explained.

Marshall's analysis is not open to these objections. He sees that in his treatment of marginal utility he is explaining *prices* of different forms of capital or of acquired skill, rather than relative *rates* of remuneration. When he speaks of "doses of capital and labour" he uses the phrase as James Mill used it, in a conjunctive and not a disjunctive meaning. He recognises the complication due to the difference between remunerative and auxiliary capital, and the impossibility of regarding labour and capital either as competitors or as co-operators in the cruder sense. His error—if I am right in thinking it an error—lies not so much in the actual results which he gives as in the assumption that these results constitute a theory of distribution. In the connection which he makes between his price theory and his distribution theory, there are two links which seem to me to be weak.

(1) He formulates the conception of a *national dividend* or net annual product of industry, which constitutes the aggregate to be distributed, and of course represents the sum of the various distributive shares. He then proceeds to analyse into its elements, not the *net* product of the industrial community, but its *gross* product; to separate commodities into their price elements, regardless of the question whether they are to be used for the replacement of human tissue or of mechanical force. But an analysis of the price elements of the gross product cannot serve as a theory of distribution of the net product except under assumptions far more restricted than those which Marshall makes. Not only must we assume an absence of change of industrial methods during the cycle of production—the so-called dynamic change—but we must assume a *constant average rate of utilisation* of capital during the *successive* cycles: or, at the very utmost, a rate of utilisation which oscillates about such a constant in a way to make the plus and minus variations balance during a determinate period short enough to exclude the necessity

of admitting dynamic change. Now, such an assumption would be too remote from industrial facts to be of any use ; and therefore Marshall, who is a man of facts, does not himself make it. On the contrary many of his most valuable price analyses are based upon the phenomena of varying rates of utilisation of different forms of capital, the oscillation periods of which are not assumed to have (and do not in fact have) a determinate short-time common multiple.

(2) Independently of this difficulty, Marshall's examination of the causes which determine the rate of interest seems to me slight and even weak, as compared with the heavy superstructure of normal price analysis which is built upon it. We are told that the interest rate is one which makes the demand and supply of capital equal ; and that this is a determinate solution, because an increase of rate tends to increase the supply of capital and to diminish the demand. Now if the interest rate be regarded as a rate for the *borrowing* of capital—a commutation of profit rates previously determined in some other fashion—such an analysis will stand. But if interest be regarded as a payment for the services rendered by capital as a whole, rather than a payment for the control of capital, it is extremely doubtful whether Marshall's method of solution is applicable. In the first place it is not quite certain that an increase in the rate of interest increases the supply of capital. All that can be said is that the weight of authority favours this view ; and when so much is made to depend upon a postulate this is hardly a satisfactory method of establishing it. In the second place, an increase in the rate of interest does not always appear to diminish the demand for capital. High interest means over-estimate of present goods as compared with future goods. But an over-estimate of present goods is generally attended with under-estimate of future *risks* and an increased use of capital for long-time investments. Before a commercial crisis interest is high, but everybody wants to invest capital ; after such a crisis, interest is low, but nobody wants to invest capital. It will not do to say that the high demand is *in spite of* the high interest rate, and would be greater if that rate were not so large. This may be true for a single investor ; but for the money market as a whole, the two things are parts of the same psychological phenomenon.

Boehm-Bawerk attacks the problem from a different direction. He shows that interest is an expression of the relative value of present and future goods ; he analyses with great acuteness the causes which regulate this relative value ; and he thereby shows

the relative proportion of the product which goes to the labourer. Knowing this proportion and the length of the productive period, we can determine the relative payments for a year's wages and a year's interest. Here apparently we have a complete and satisfactory solution of the problem of distribution. But if we look below the surface we shall find an underlying assumption which, while it does not vitiate the correctness of the analysis, nevertheless limits both the completeness of the solution given and the possibility of further progress in the same direction. The rate of consumption of capital by the labourers is assumed to be fixed. This is essential to Boehm-Bawerk's theory; for otherwise an increase of capital might be met by a shortening of consumption time instead of an increase of production time, and the interest determination would fail. But a postulate of a fixed rate of consumption by the labourer is simply an abandonment of the attempt to handle the theory of wages; and if we renew this attempt, we discard Boehm-Bawerk's interest theory, and cut the ground from under our own feet. In Taussig's able application of Boehm-Bawerk's theory to the question of wages, one cannot fail to be impressed with the absence of any attempt at quantitative determination. This absence would seem to be the inevitable result of the method adopted. It solves the problem of relative shares of labour and capital under certain narrowly drawn conditions; it shuts the door against a solution of the general problem of the rate of payment to labour per day or per year. It gives an admirable analysis of the static problem of exchange of present and future goods; it hardly touches the essentially *dynamic* problem of distribution of current product.

For the theory of distribution does involve a dynamic problem, whether we find it convenient to recognise it or not; and the attempt to treat it by static methods involves a fallacy.

The distinction which is to-day ordinarily made between statics and dynamics is due to John Stuart Mill; but in spite of the weight of his authority, it is in many instances misleading. A static problem, says Mill, is one which assumes unchanged habits of society; a dynamic problem is one which involves a study of the causes and effects of changed social habits. Any problem of exchange or distribution, according to this distinction, is treated by static methods if the same groups of motives act upon individual members of society throughout the duration of the investigation; it becomes a dynamic problem only through a change in such motives during the period in question.

If we try to apply this distinction to mechanical or physical

problems, we shall see how far removed it is from actual usage. According to Mill's use of terms any astronomical problem would be a statical one unless there were either a change in the law of gravitation, or an introduction of new bodies previously unknown into the system studied. The movements of the planets and their satellites, however complicated, should all be treated statically. Now it is obvious, not only that this gives a new and very questionable meaning to the term statics, but—far more important—that methods which are fitted to solve problems of statical equilibrium could not be applied to planetary kinetics, except with great caution and reserve.

When Mill wrote, it was only the less important of these two considerations which could be urged against his use of the term. He was giving an old word a new meaning; but it was not a meaning which then seemed likely to involve any one in great practical error. But with the growth of mathematical economics the second danger added itself to the first. When some economic problems, like those of market price equilibrium, had been successfully treated by static methods, it was natural to extend the same methods to all problems which we had been in the habit of calling statical, without closely inquiring whether this extension was legitimate. Modes of analysis which were of great value in dealing with market price, the equation of supply and demand, and the various phenomena of exchange, became always dangerous and often positively misleading, when applied to normal price, the equation of production and consumption, and the various phenomena of distribution.

Let me make the distinction clear. Economic quantities, as Newcomb has so well shown, are of two kinds: funds and flows. A fund of wealth is a quantity pure and simple. A flow of wealth is measured as a quantity per unit of time; in other words as a *rate*. The essential difference between exchange and distribution, which has puzzled so many economists, is that the former deals with funds, and the latter with flows; the former with prices, the latter with rates of wages and interest. Static methods are applicable to the former; kinetic methods to the latter.

Fundamental as this distinction is, few economists have recognised it. The wage-fund theory furnishes an instance of hopeless confusion between funds and flows. This theory was discussed *pro* and *con* for two generations until Newcomb hit upon the really vital and absolutely conclusive objection, that a *fund* of capital divided by a *number* of labourers, cannot mathematically speaking give a *rate* of wages. It gives a quantity of

wages ; whether that means wages per day or per week or per year the theory does not and cannot try to tell. Its solution is absolutely indeterminate. There was a tacit assumption that it meant wages per year ; and this assumption was about half justified because about half of the capital consumed by the labourer—namely his food—had an annual periodicity of consumption and renewal, and could thus be expressed as a flow or rate instead of as a quantity ; but very few statements of the theory went so far as to bring out the nature of this partial justification.

Another instance of the same confusion between quantities and rates is furnished by the “normal supply curve” ; a confusion less glaring than that in the wage-fund, but for this very reason far more dangerous. A *market* supply curve represents a series of relations between quantities of product and costs per unit of product. A normal supply curve represents a series of relations between *rates* of production and costs per unit of product (*not* per unit of time). It is habitually assumed that, barring certain lines of industry, the latter curve has the same general shape as the former, and may be made the basis of the same kind of deductions. Even those writers, like Marshall, who see the essential difference between the two things, usually give a very inadequate study to the extent of the differences. Yet such a study of the most acute and painstaking character is absolutely essential if supply and demand curves are to be made the basis of a theory of distribution ; for otherwise the results will often be diametrically opposed to the truth. For an increased *rate* of production involves a totally different set of economic pressures and reactions from those involved in an increased *quantity* of production at the old rate.¹

We can perhaps best conceive of the wealth-flow which constitutes the subject of distribution in the shape of a river, of which the shares accruing to different groups of labourers or capitalists form separate streams. The share of any such group may be increased in either one of two ways ; by an increase in the cross section which it controls, or by an increase in the rapidity of its current. In the statics of any cross section of the stream as a whole, the former process will make out-pressures from the variant ; the latter will have a tendency to make in-pressures. It is surely a hazardous thing to claim to have solved flow-problems by diagrams which only represent the condition of things in cross sections when we do not know whether the pressures

¹ The application of this statement is obviously not confined to those industries which are subject to the laws of increasing return.

corresponding to a change in distributive shares are positive or negative in their direction.

The problem of distribution is essentially a kinetic one ; but partly influenced by convenience, and partly by a false terminology, economists have had a tendency to regard it as static (wage-fund theory), or to treat it by statical analyses. Wieser attacks the whole kinetic problem by static methods and gets a solution which is either incorrect or illusory according to the interpretation given to his symbols. Boehm-Bawerk uses static methods upon a part of the kinetic problem, under restrictions which make those methods applicable, and gets a solution which is correct as far as it goes ; but it covers only a small part of the distribution problem, and its assumption leaves no opening for further advance along the same line. Marshall, in general, uses static methods for static problems and gets correct solutions. When he attempts to make connections with the kinetic problem the result is less satisfactory. The unsatisfactory character of these results is recognised by Marshall in his discussion of the deficiencies of the statical method in economics ; but he fails to see that these deficiencies make themselves chiefly felt when that method is applied to problems which are not statical at all.

It is proverbially easy to criticise theories and hard to construct others that shall bear criticism in turn. I cannot offer any mathematical theory of distribution as a kinetic problem. But I shall try to give certain prolegomena which may serve as the basis of such an analysis in more skilful hands than my own.

In my *Economics* (Chap. X.) I have developed the theory that wages depend upon maximum economy of consumption. With some men and in some trades this is obtained by high wages and high efficiency, with others by low wages and low efficiency. The competitive process drives labourers out of some lines and into others where they will give it the best relation between value consumed and value produced. The greater or less intelligence governing the demand for commodities determines the relative proportion of labourers that can be employed on different scales of feeding and efficiency. I shall not here attempt to repeat this analysis, but simply show how it can be extended to explain the remuneration of the capitalist as well as of the labourer.

From the total net product of the labour of the community a certain amount is kept back from the consumption of the labouring classes. The amount thus kept back is used for two distinct purposes :—

(1) To add to the capital of the country. These additions may be made either by labourers or capitalists.

(2) To pay the expense of the management of the capital. This goes to some of the various capitalist classes.

Any diminution in the consumption of the labourers tends to diminish the efficiency of labour; any diminution in the rate of additions to capital tends to diminish possible improvement in the industrial arts: any diminution in profits to capitalists as a class tends, theoretically at any rate, to diminish the degree of skill and foresight, which, in the management of capital, we can expect from them. Each of these diminutions is at first slight and afterwards more and more rapid. There is, theoretically at any rate, a point of maximum efficiency, beyond which, additions to capital or profits would reduce the labourer's efficiency more than they would improve his opportunities; beyond which, additions to capital or labourers' consumption would reduce skill in management more than the physical excellence of the labour and appliances would compensate; beyond which, additions to profits or labourers' consumption would reduce the amount of capital so as to do more harm than the skill of the management or of the labour could outweigh. Industrial competition is a series of more or less successful experiments in discovering this adjustment of maximum gain in the distribution of a wealth flow. The theoretical solution is found, not at the point of greatest advantage to individuals, but in the conditions producing greatest strength for the community. In other words, it is determined by natural selection, instead of by mercantile competition.

We may put the underlying idea of this theory into simpler though less precise language, as follows:

Large proportionate payments to labour mean small rates of profit. Small rates of profit mean high valuation of future goods, as compared with present ones. This in turn means readiness to take industrial risks. This is good for the community so far as it promotes the introduction of new processes; it is bad so far as it increases the chance of waste of capital. The rate tends to adjust itself to the point where the community gets the benefit of as many new processes as possible, as long as such benefit is not offset by too great waste.

ARTHUR TWINING HADLEY

RECENT PROGRESS IN THE HOUSING OF THE POOR.

THE growth of the town population, and more particularly that of London, is one of the most remarkable phenomena of this century. It has been chiefly due to the influx of persons country born, and to-day the annual immigrants into London alone are said to number 50,000, while the last census showed that a quarter of the population of London were born outside its borders. Although it has been ascertained that some 500,000 new houses have been added to London since 1849, the year of the cholera epidemic, the new accommodation has never been equal to the demand, while long before that date overcrowding had become a public danger. Houses which had been amply sufficient for one family were made to hold several, and no extra sanitary convenience or water supply was provided. Moreover, houses formerly occupied by the rich and now converted into tenements received rough treatment and rapidly deteriorated. Even such new houses as were built were often of the worst character; and, untrammelled by Building or Health Acts, the jerry builder came into being, along with those no less objectionable persons the middlemen, known variously as house jobbers, house farmers, or house knackers. The courtyards and gardens possessed by many of the old houses were built over, and the result of this overcrowding and confinement was seen in the many epidemics that swept through the metropolis.

It was not until after the revolution effected in local government by the Poor Law Act of 1834 and the Municipal Reform Act of 1835 that the terrible condition of the dwellings of the labouring people attracted public attention. In 1838 the Poor Law Commissioners reported on the prevalence of disease among the working classes. In 1842 Sir Edwin Chadwick presented to Parliament a "Report on the Sanitary Conditions of the Labour-

ing Population of Great Britain." In 1843 a Royal Commission was appointed to inquire into the subject. In 1848 and 1849 the first Public Health Acts were passed for the provinces and London respectively. In 1851 Lord Shaftesbury carried two Bills—the Common Lodging Houses Act, and the Labouring Classes Lodging Houses Act. From that date the dwellings of the poor have been reported upon by numerous commissions and committees, and very many important statutes have resulted. Of these inquiries the latest was that of the Royal Commission of 1884, with Sir Charles Dilke as chairman, and the Prince of Wales and Lord Salisbury among its members. This commission issued in 1889 a first report of 131 pages dealing with England only, and this may be taken as the standard authority on the question.

The report first reviews all the existing sanitary legislation. Of this the most important part was to be found in the two groups of statutes known as the Torrens and Cross Acts, of which the former provided for the improvement or demolition of insanitary houses singly or in small groups by the parish authority, while the latter aimed at doing the same kind of work on a larger scale, and this was to be done in London through the Metropolitan Board of Works.

The commissioners next refer to the results of their exhaustive inquiry in Clerkenwell and the adjacent Central districts and of their more general investigation into the rest of London and some provincial towns. In spite of an improvement described by Lord Shaftesbury as "enormous" that was found to have taken place in the preceding thirty years, terrible overcrowding had been brought to light, together with serious sanitary and structural defects. Inadequate water supplies, numerous inhabited cellar dwellings, jerry building, immorality consequent upon overcrowding; as also infantile mortality, infectious disease, and general sickness and depression (so that the average workman lost at least twenty days a year through simple exhaustion);—the existence of all these evils had been abundantly proved.

Then follows a study of causes. Drink, dirt, and poverty are all held to be causes as well as effects of overcrowding, while high rents, though in a different way, are also at once cause and effect. The report adopts the opinion of Mr. Marchant Williams that 88 per cent. of the poor pay more than one-fifth of their income in rent, while 46 per cent. pay from one-fourth to one-half.

High rents are due to the fact that labourers, especially casual labourers and costermongers, must live near their work, and so too must families whose women and girls find subsidiary employ-

ments; while minor reasons are found in local credits, cheap markets, and the reluctance of the poor to break old ties and form new associations. The migratory habits of the casual poor (migratory, that is, within a limited district), the immigration from the country, and the influx of foreign Jews, all further add to the keenness of competition for houseroom. But a still greater cause of this pressure is to be found in *demolitions*, whether *compulsory* for street improvements, board schools, local public buildings and railways, or *voluntarily* undertaken by owners to improve their property. The report gives many instances of serious rises of rent due to these causes, and then proceeds to point out the very great evils that have arisen from the intervention of middlemen between the owners of property and the tenants. The first part of the report closes, as far as town life is concerned, with a vigorous pronouncement against the halting and wholly unsatisfactory way in which most of the vestries and local boards had carried out the important duties assigned to them under the various sanitary Acts.

The remedies suggested are very numerous but may be grouped under the following heads:—

- (1) The exercise of powers given to local authorities to be made compulsory and no longer merely permissive.
- (2) Consolidation of the Public Health Acts, with amendments providing for mortuaries and for the disuse of cellar dwellings.
- (3) More stringent building bye-laws and increased sanitary inspection.
- (4) Reform of London Government.
- (5) Amendments in the Cross and Torrens Acts.
- (6) A special public sanitary inspection of London, with a view to bring public opinion to bear on the various administrative bodies.
- (7) The handing over of the sites of Coldbath Fields, Pentonville, and Millbank Prisons, amounting in all to forty-two acres, for the provision of workmen's dwellings.
- (8) Reduction of rate of interest charged for public money lent to local bodies for carrying out improvements.
- (9) Improvements in Lord Shaftesbury's Lodging House Acts, which had hitherto been absolutely inoperative.
- (10) Improved procedure with a view to reducing compensation, and a limited introduction of the principle of betterment.
- (11) Bringing pressure to bear on railway companies with a view to an ample provision of workmen's trains.
- (12) Alterations in the Parliamentary standing orders so as to efficiently provide for persons displaced by railway extensions.

(13) Power to limited owners and corporations to apply trust funds at low rates of interest for the provision of working class dwellings.

(14) The water supply to be, as a general rule, in the hands of the local authority.

Let us first inquire what steps have been taken to carry out the suggestions of the Commission.

Four Acts of Parliament of the first importance contain most of the recent legislative changes adopted. These are :—

(1) The Local Government Act of 1888, by which the London County Council was called into being, to supply among other things the motive power the lack of which the commissioners had deplored.

(2) The Housing of the Working Classes Act, 1890, which remodelled the Cross and Torrens Acts. Under the first part of this statute the County Council has powers to clear a large unhealthy area, and has only three alternatives as to the disposal of the site :—

(i) To dedicate it as a highway or open space. (ii) To appropriate, sell, or let it for the erection of dwellings for the working classes. (iii) To exchange it for other more suitable land to be similarly used.

The second part of the Act gives similar powers for dealing with small unhealthy areas or single houses, if either hopelessly unhealthy or obstructive. If the local authority fails to act, the County Council has overriding powers. One most important provision is contained in Section 75, which runs thus :—“ In any contract made after the 14th day of August, 1885, for letting for habitation by persons of the working classes a house or part of a house, there shall be implied a condition that the house is at the commencement of the holding in all respects reasonably fit for human habitation.” The section goes on, indirectly, to define the working class. The definition really amounts to this, that in London a tenement of the rateable value of not more than £20 a year, or 7s. 8d. a week, is held to be inhabited by the working classes.

(3) The Public Health Act, 1891, consolidating and amending most of the previous legislation dealing with public health. Its keyword is “ nuisance,” and to bring a house under the Act some “ nuisance ” must be proved to exist. When this is done the local authorities are clothed with great and summary powers, the use of which is no longer permissive but compulsory. The term “ nuisance ” is an elastic one, *e.g.* an underground dwelling, save under strict conditions, is a nuisance ; so is a room under seven feet high ; and so is overcrowding in a room, 300 cubic feet for an adult, and 150 for a child, being the minimum air space allowed in London.

(4) The London Building Act, 1894. This Act gives large powers to the County Council to make bye-laws regulating all new buildings in the metropolitan area. A code of bye-laws has been issued. They are generally considered to be too stringent, but if enforced they ought at least to do away with jerry building, and to compel so liberal an allowance of light and air as to give rise to reasonable hope that the horrors of the past will never be repeated.

There are two kinds of overcrowding. Either too much building may be put up on a given area, or too many people may occupy a given building. The former case is provided against so far as concerns new buildings under the Building Act, and as to existing structures under the Artisans' Dwelling Act, while the latter evil is a nuisance under the Public Health Act.

On the whole, Parliament cannot be said to have ignored the recommendations of the commissioners. It has allowed the valuable site of Coldbath Fields Prison to be appropriated for Post Office purposes, and it has not attended to some other minor suggestions. On the other hand, its standing orders have been made more stringent, and dwellers in St. John's Wood have seen the Manchester, Sheffield, and Lincolnshire Railway Company compelled to erect and open great blocks of tenement dwellings, before they were allowed to clear the site for their new London terminus. So, too, pressure has been brought to bear on the railway companies in the matter of workmen's trains; and most of the companies concerned, all except the London and North Western, are running workmen's trains on a zone tariff at a charge of 2*d.* return within five miles, and 4*d.* return within ten miles, while the Great Eastern provides still greater facilities.

The very numerous electric railways now being planned and constructed in London will enormously increase the means of cheap transit. Meanwhile, on most of the lines the 2*d.* workman's ticket will already take a man far enough to enable him to get well out of Central London, and to obtain reasonable house room at a rent which, even when increased by the weekly 1*s.* for railway fare, will be well within the high rents now paid for inferior accommodation. The solution of the problem before us is indeed to be found very largely in the direction of overcoming the unwillingness of the poor to live in the suburbs by providing cheap and convenient access to town, and by decentralising London life and London amusements so that the suburbs may be more attractive. The railway companies have done much and will do more, some improvements are now being made in the

tramway systems, bicycles are an important and growing factor, while some increase of local spirit and enterprise is perceptible even in suburban vestries. Nevertheless, further decentralisation is still much wanted. When the eight hours day comes, the greatest gain it will bring with it will be that the working day can then begin at eight o'clock, and thus not only will the workman be enabled to get his breakfast before he starts work, but it will also be reasonably possible for him to live a few miles out from his work. There will no doubt always be some families obliged to live in a central district, but, if *no others* live there, accommodation will be ample, and rents need not be excessive. The chief difficulty is with families where the wife and elder children go out to work. While factories and workshops are all to be found in central London, there such families must remain. But this too is a case of action and reaction; the factories must go where labour is to be had, and their workpeople must live where they can get work. Already many large and small factories have sprung up in working class suburbs. Land is cheaper and labour abundant, while however much one may regret to see the beautiful pasture lands round London built over, if London must grow, it had far better cover more acres than overcrowd those it already contains.

But this is a question for the future. What is the present condition of things? The Commission proved certain evils and proposed certain remedies. Parliament has, we have seen, endeavoured to apply these remedies. Has it succeeded? The Acts described seem to go quite as far as, for the present at least, is wise. They are probably in advance of public opinion in those parts of London where their application is most necessary, and hence they are very far from being fully carried out. Different local bodies and surveyors and inspectors take very varied views of their duty, and the lower class of landlords are effectually aided by their tenants in evading the law, while the larger landlords with less desire to do wrong are more at the mercy of rough and careless tenants. Where districts differ so greatly it is hard to arrive at any sort of average. Mr. Sherwell's "Life in West London" seems to show that in the Soho district, at all events, there is much need of improvement. I have myself inquired from School Board visitors and the police as to the state of things in St. Luke's, Bethnal Green, Whitechapel, and Shoreditch, and the only conclusion possible is that though much has been done, much still remains to be done. Every week's work at Worship Street Police Court, the jurisdiction of which covers these parishes,

includes a number of proceedings taken under the Acts named ; but it seldom fails also to show incidentally some striking examples of terrible overcrowding and similar evils. Among the incidents that have cropped up in the last few days only are a family of eleven in one room, a family of five or six in an entirely underground cellar near Golden Lane, four houses in St. Luke's with only one w.c. between them, and a new house in Brick Lane where a family of five have taken four small rooms and have ten male lodgers. This last case illustrates the bad drafting of recent statutes and especially of the London Building Act. The Act says that if an old house is reconstructed so as to be "intended or adapted for the housing of the working classes" a special air space in front and behind is to be allowed. The house before mentioned is one of a row which were rebuilt without any convenience for letting in tenements, and therefore the buildings were allowed to proceed without the special air space prescribed. Immediately on completion they were let, and the tenants sublet them, so that every house is crowded with working people. The London County Council then gave notice that the law must be complied with, but the magistrate felt compelled to dismiss the case as it could not be proved that the houses were intended or adapted for the working classes. The absurdity of the position is obvious. Had they been adapted for tenements they would have had sanitary conveniences as well as air space ; now they have neither and the law can do nothing. This decision may be upset on appeal, but it is an illustration of the looseness with which the whole Act is drafted. The overriding powers of the London County Council enable that body to some extent to make up for the remissness of local authorities, and the voluntary association called the "Mansion House Council on the Dwellings of the Poor," with its local sanitary aid committees, does very good work in the same direction by waking up slothful authorities and by bringing to bear the force of public opinion.

We come next to model block buildings and similar efforts to provide better accommodation for the poor, and to make it possible for large numbers to live on a limited space under healthy conditions. There are two recent reports of great value dealing with this question.

(1) Mr. George Arkell's account of London block buildings, in Vol. III. of Mr. Charles Booth's great work. This includes a list of all blocks open in 1890 graduated into five classes, according to the light, air, and sanitation provided. The block population is given as about 189,000 persons of whom 151,000

live in buildings the condition of which is fair, good, or very good, and 38,000 in bad or very bad blocks. Mr. Arkell deals also with the financial positions of the chief companies and trusts owning such buildings, and appended to his chapter is a very interesting note by Miss Octavia Hill resuming the gains and losses of "block life" and urging decentralisation.

(2) Dr. Gould's able and exhaustive report to the American Congress on the housing of the working people in Europe and the United States. This deals fully with sanitary laws, building regulations, block buildings, small model buildings, and lodging houses in England, and on the Continent. So far as London is concerned, detailed plans and full descriptions are given of sample model dwellings belonging to each of the chief bodies engaged in their construction, the statistics referring chiefly to 1892, but no radical changes in the figures have since taken place. At this later date, however, some further light can be shed on the subject.

Several companies have been founded to provide dwellings for the poor on a semi-philanthropic basis and paying limited dividends. Of these the first was Lord Shaftesbury's, now over half a century old, and paying $4\frac{1}{2}$ per cent., while the two largest are the Artisans' Dwelling Co., and the Improved Industrial Dwellings Co. Between them these two companies have spent $3\frac{1}{2}$ millions on land and buildings, and both are paying a steady 5 per cent. Such companies have abundantly proved that tenement blocks can be built well and with good sanitary arrangements, yet so as to yield a sufficient rate of interest, but their tenants are, as a rule, not strictly poor.

The "Peabody" Donation Fund was founded in 1862 and its original half a million has grown to $1\frac{1}{4}$ millions, the sum spent up to the end of 1896 on land and buildings. This is a trust fund, and all profits are added to the capital. It was intended strictly for the poor, but other classes have found their way into the tenements provided. The average wages of its tenants are given at 23s. $5\frac{3}{4}$ d. per week for last year, but the figures are got from the superintendent of the blocks and probably do not include the earnings of any besides the heads of the family, and even then are almost certainly underestimated. The rents are very low as compared with those paid for similar rooms outside, but are too high for the poorest. The "Peabody" Buildings are, for the most part, ugly to a degree, but the trustees say they do not want to attract better class tenants, and so avoid ornament. Surely this is a mistake. London at the

best is ugly enough. One thing the Peabody trustees have made clear. The vital statistics of their estates were carefully examined by Dr. Newsholme in 1891. Their death rate was found somewhat lower than that for all London, showing that it is at least possible to house 751 persons on an acre without injury to health.

The Guinness Trust (London Fund) was founded in 1889 by Lord Iveagh, with a gift of £200,000, the principal object being to provide dwellings for the labouring as distinct from the artisan class. Six sets of buildings have been erected, situated respectively in Walworth, Chelsea, Bethnal Green, Finsbury, Lambeth, and Bermondsey, and a seventh block, also in Bermondsey (near London Bridge), is now being built. All these buildings are on the block system, and are five or six storeys high. They are fireproof throughout, and all save one are faced with red brick, with ornamental lintels, and other decorative efforts. The staircases are internal, light and air being obtained from side windows and louvres at the top. On each floor there are four or five, usually four, tenements. There are closets, laundries, and sinks on each floor, one w.c. for each two families, one laundry for four. The walls of the passages, &c., are of glazed brick or tiles, to the height of five feet and sometimes to the ceiling. The room walls are distempered a terra cotta colour, and the internal fixtures consist of a meat cupboard, coal and pan boxes, and dresser, with a wardrobe cupboard in the bedroom. Venetian blinds are fitted to every room. The chimney sweeping is done by the Trust. Baths of the best make, with hot and cold water, are provided free in a separate lodge, tenants bringing their own soap and towel. They are open at hours changing with the seasons. In an annexe to the porter's room boiling water is provided by an attendant at breakfast and tea times, teapots or jugs being filled for tenants. In the areas between the blocks are also taps whence unlimited hot water can be drawn at pleasure. Hot water is not laid on to each floor, as the extra cost would amount to 3*d.* per week per tenement. In fixing rents, each site is considered by itself and the charges vary with the cost of the blocks. Rents are calculated to pay all expenses and yield a fair percentage on the total cost of site and building. The return actually realised is at present from 3½ to 4 per cent. Rents also vary according to floor and position and include a charge of 3*d.* for each one room and 6*d.* for each two room tenement for Venetian blinds, chimney sweeping, boiling water for tea, hot water from area taps,

baths, and the use of the club room. This charge is made separately so as to stimulate the tenants to make full use of the privileges to which the weekly 3*d.* or 6*d.* calls their attention. For statistical purposes this 6*d.* is not separated from the rent, of which it forms part. The club rooms just referred to are of considerable size, with a stage on one side. The rooms are provided with newspapers and games, heated with hot water and open fires; and in the winter months Saturday night concerts are successfully arranged by the tenants, the Trust providing a piano. On other evenings the club rooms are open to men only.

The rents charged by the Guinness Trustees are as follows:—

One room	1 <i>s.</i> 9 <i>d.</i> to 3 <i>s.</i> (3 <i>s.</i> 3 <i>d.</i> in one building).
Two rooms	3 <i>s.</i> 6 <i>d.</i> to 5 <i>s.</i> (4 <i>s.</i> 6 <i>d.</i> usually the maximum).
Three ,, ...	4 <i>s.</i> 6 <i>d.</i> to 6 <i>s.</i>
Four ,, ...	6 <i>s.</i> 3 <i>d.</i>

The Trust lays in a stock of coal which it is able to retail to tenants by the cwt. at about 2*d.* less than the prices charged by street vendors. There is on one estate a crèche for infants, and to avoid the risk of children being overlaid, bed cots are hired out to tenants at 1*d.* per week. Small sheds in the areas are also let at 1*d.* per week for perambulators, and covered shelters are provided in the areas to afford the children protection from rain. Up to the present the Trust has provided 2,235 separate tenements containing 4,568 rooms, and in no case is there any difficulty in letting. Inquiries are made at the previous address of each applicant in order to prevent any but respectable people becoming tenants, and employers are also referred to, to avoid taking in any whose total family earnings exceed 25*s.* per week. The letting is done directly from the head office, and thus is counteracted the natural tendency of superintendents to take in tenants above the line of poverty.

It is believed that applicants who are better off sometimes understate their earnings and get admitted, but probably the Guinness tenants are poorer than those of any of the other societies in the field, though they are for the most part very respectable and strict discipline is maintained. A census was taken on the 31st December, 1896. There were then 1,835 families in the blocks with the total population of 7,219.

The average family wages were 19*s.* 9*d.* as against 18*s.* 1*d.* in 1893 and 23*s.* 5½*d.* in the Peabody Buildings in 1896.

The death rate for 1896 was 18·2 per 1,000 and the birth rate

55·61, the rates for London being 18·6 and 30·2 respectively. Special attention is called to the enormous birth rate, nearly double that of London. The data are insufficient to warrant confident conclusions, and no doubt the tenants of new blocks would often be young married couples, but it is not pleasant to think that possibly the saving of rent is, so to speak, taken out in the form of more children. Anyhow, the union of a very high birth rate and a low death rate points to the excellent sanitary conditions of the buildings, especially when we remember the heavy infantile mortality usually experienced by the poor.

The average rent per room is 2s. 1½d., and the charges for tenements are therefore above the means of the very poorest, especially as the number of persons to a room is strictly limited. It is hard to resist the temptation of introducing expensive fittings, and generally spending money on improving the accommodation. Yet, unless the favoured few are to receive comforts at cost price, whilst the vast majority of the people, including all the poorest class, remain outside, living in wholly unsatisfactory tenements, what is wanted is surely a class of buildings, erected at the lowest possible prime cost, sanitary, but with no expensive fittings or luxuries, and capable of competing without loss with the places where the poorest now live, overcrowded no doubt, yet paying some one high profits. There are, however, two obstacles. First, the extreme difficulty and expense of buying large sites. Then the cost of labour has recently greatly increased, that of bricks and other building materials has also risen, and the strict provisions of the Building Act have added another 2 per cent. to the total cost. In 1889 the cost of building was 6½d. per cubic foot, now it is 8½d., a very serious difference. Even in the last two years the cost has risen 12 per cent. The cubic capacities of rooms on the Guinness estates are 1,200 feet, 2,000 feet, and 3,000 feet for one, two, and three roomed tenements respectively.

The experience of the trustees confirms strongly Miss Octavia Hill's teaching, that to enforce the strictest discipline is, in spite of its apparent harshness, really the kindest way of treating tenants. The characters of the rougher tenants have improved through emulation of their neighbours and through the pressure of the discipline enforced. The schoolmistress of a large board school whose children are nearly entirely all drawn from one of the Bermondsey estates, has stated that she noticed a very marked improvement in the appearance of the previously ragged and unkempt children that had come to live on the estate.

That the trustees are able to borrow money in the open market at 3 per cent., proves the excellence of their estates as security, and the keen demand for their tenements seems to show that sound commercial enterprises could safely follow in their steps. Similarly full information about the block buildings of the County Council is not yet available. It is too soon to make a complete comparison of the Council's work with that of other bodies. Changes of policy have spoilt the unity of its returns. It has gained by the experience of earlier builders of model tenements, but has lost by the recent rises in the cost of building. Up to the 10th February, the Council had provided 999 tenements for 2,470 persons, at a cost per room of £80 and a total cost of £200,000. The following quotations are from two recent letters received from the clerk to the Council in reply to inquiries.

"The Council endeavours to obtain at least 500 cubic feet per person in all rooms.

"The rents of tenements are based upon those ruling in the neighbourhood in which the dwellings are erected. They are as follows :—

(a) One room	2s. 3d. to 3s. 6d.
(b) Two rooms.....	4s. 3d. to 6s. 6d.
(c) Three ,, ...	5s. 3d. to 9s.
(d) Four ,, ...	7s. 6d. to 11s. 6d.
(e) Five ,, ...	7s. 6d. to 13s.

"In no cases are blinds provided. In some cases baths and hot water are supplied. The rents also cover the charges for a sinking fund to replace the money borrowed within a period of from 50 to 60 years at $2\frac{1}{2}$ per cent., and for the payment of 3 per cent. interest thereon.

"'The general average' of the weekly earnings of the tenants may perhaps be taken as 24s. per week, but this figure is the result of a very rough calculation only. Except in the case of one estate, the percentage of loss of rent on the amount receivable seems generally very low."

I may remark by way of criticism on this official statement that (1) the rents actually charged in the Boundary Street Buildings are all at or above the figures above given as maxima, and I understand they will probably have to be further raised. (2) The Council only possesses so far fifteen one room tenements, and these are all let at 3s. 6d. (3) Four and five roomed flats at

12s. 6d. and 13s. a week are hardly needed for the poor. (4) Even if 24s. be the average wage, which there is reason to doubt, still it is higher than that of either the Peabody or Guinness tenants.

The most important of the Council's estates is the Boundary Street area, some of the new buildings on which are now open. This estate consists of fifteen acres, situated at the back of Shoreditch Church, and formerly covered with about 700 houses, occupied by 5,700 persons. A network of squalid streets, it was insanitary in the highest degree, and its reclamation was resolved on in 1890. The cost of buying and clearing the space was £300,000, to which £49,000 has to be added for making the new roads, giving a total cost of say £350,000. The building sites are valued by the Council's surveyor at £69,000, so that the net loss on the clearance was roughly £280,000. The inhabitants, of whom nearly 300 families had to be ejected by the police, were dispersed, and I have endeavoured to ascertain, through the police and School Board officers, whither they migrated. The adjacent parishes of Hoxton and Bethnal Green received most of them. Of these parishes the former has recently greatly deteriorated. Other families went to Mile End and Old Ford, and a considerable number moved as far as Tottenham and Walthamstow. Some of these last were costermongers, who now live in the district where they sell their goods instead of where they buy them. Under the provisions of the Housing of the Working Classes Act, the Council proceeded to rebuild. It has erected handsome streets of tenement dwellings centering on a fine open space crowned with a bandstand, and the houses, says Alderman Beachcroft, are strong enough to last 300 years!

The flats are almost luxurious. Every latest improvement is there, but so expensive are they to build, that the rents necessarily charged are quite prohibitive for the people who formerly lived on the site. Not that the rents are too high for the accommodation, or that there is any difficulty in letting, but the tenants belong to a more well-to-do class. Practically they are artisans rather than labourers; so that while the first effect of the clearance was to increase the crowding in the vicinity, the second is to call, or recall, into a central area, artisans who would otherwise be living further out. A few at least of the new tenants have moved in from Tottenham and Walthamstow, not from necessity but attracted by the accommodation offered.

This is hardly a step in the right direction. The Council should have let its land to some of the numerous companies engaged in building working class dwellings, who would have

been glad enough to take it, had not the Council insisted on conditions which entail enormous expense. It has used its command of funds at a low rate of interest simply to outbid these companies. It cannot provide for the very poor because of the high rents its expensive building necessitates. It does provide for artisans, but even in this respect it is in a dilemma. It must either be content to manufacture a small and privileged class of workmen, living at less than a commercial rent, or set to work on an enormous scale to provide every district in London with the same privileges. There is a third possibility: the Council may rackrent its tenants and carry on the business of house-building as a purely commercial body. Any one of these three alternatives only needs clearly stating to expose its weakness. When the clerk to the Council says that the rents are based on those ruling in the neighbourhood, with a minimum such as to pay 3 per cent. interest on capital, he seems to indicate a very doubtful principle. The neighbouring rents may be presumed to have been artificially raised by the Council's own action in clearing a great area, and if the rents are to be at all above the minimum, there seems no reason why a full competitive rent should not be obtained. One other point is important. Under various schemes, about 10,500 people have been displaced by the Council, which is only building for 7,300 on the areas cleared, and thus 3,000 fewer people are finally provided for.

So far, then, every scheme has failed to help the very poorest, and I doubt if it is possible to build new blocks that can be let at a low enough rent. If it is, it can only be by building perfectly plainly, and providing only absolute necessities. But more might be done on the lines of Miss Octavia Hill's well-known scheme. Old or condemned houses might be bought very cheaply, made sanitary, and let at very small rents, under strict supervision. It must not be forgotten that the character of the roughest class of people is such as to make them quite impossible tenants for model blocks. If any one doubts this let him go to Booth Street Buildings, Spitalfields, and see the condition to which bad tenants have reduced a fairly well built block. Miss Hill's words are still true:—"The people's homes are bad, partly because they are badly built and arranged; they are tenfold worse because the tenants' habits and lives are what they are. Transplant them to-morrow to healthy and commodious homes and they will pollute and destroy them."

For the utterly undisciplined people whom Miss Hill has studied so carefully, blocks are not suited; but given a certain

minimum of training and self control, this minimum may be, and the Guinness trustees have found it has been, raised by improved surroundings and by strict discipline. Yet at the best, "the small scope for individual freedom," "the painful uninterestingness of block life," compel us to regard it as an evil, though a necessary and not wholly unmitigated evil.

Great progress has lately been made in the provision of common lodging houses. The County Council has appointed inspectors, and drawn up bye-laws, penalties for the infraction of which are frequently imposed; and the cases brought into the courts seem to prove the need of inspectors. Common lodging houses have often been serious centres of infectious disease, and unless supervised lead to obvious moral evils. The Council has also erected a model lodging house of its own. This is in Parker Street, and was opened in 1892. The total cost was £21,000, and the building accommodates 326 men. The price of a bed per night was at first 5*d.*, but a loss was experienced, and the charge had to be raised to 6*d.*, with satisfactory financial results. The building was suggested by Glasgow models, for in this respect the Scottish city has quite led the way. Its Corporation opened their first lodging house in 1871, and they had in 1891 eight houses open, with room for over 2,000 men and women. But the municipal work in Glasgow opened a door to private effort, and the Burns Homes in that city already provide for half as many lodgers again as those of the Corporation.

So too in London. Lord Rowton's lodging house at Vauxhall was opened in the same year as that of the County Council. Rowton House cost £30,000. It is even better fitted than the Council's house, and at 6*d.* per night paid 5 per cent. profit the very first year. The undertaking was then handed over to a company—"Rowton Houses, Limited," which has spent nearly £100,000 on huge lodging houses all of the same type, with beds for some 2,000 men. The company pays 5 per cent. dividend, and proposes to greatly extend its operations. Private enterprise being thus active and successful, the County Council is not, I understand, proposing at present to erect any other lodging houses.

The success of the Rowton Houses is highly gratifying, for any improvement in lodging houses will tend to lessen that very prevalent form of overcrowding which consists in the occupiers of one and two room tenements taking in unmarried lodgers of either sex. I cannot speak so confidently of the efforts made by the Salvation Army and other bodies to provide "dosses," to use the vernacular term, at 2*d.* a night. If such efforts are to be

self-supporting, it seems impossible to ensure sufficient cleanliness and sanitation, and very serious abuses have come to light. I myself saw a man absolutely covered with vermin, who had just spent the night in a Salvation Army shelter. Even the work-house casual ward is less unsatisfactory than such a "shelter."

In conclusion, it may be said that, while experiments of many sorts in many directions may safely be encouraged, the most potent factor in the whole question is the steady and intelligent application of existing legislation, through the pressure of public opinion, by sanitary officers and inspectors, whose numbers may need to be increased, but whose characters should be beyond suspicion. As with the people themselves, so especially with their protectors and rulers, the chief thing is not circumstance, but character.

C. H. DENYER

THE LINES OF INDUSTRIAL CONFLICT

IT has long been a part of the economic creed that the lines of Industrial Conflict lie between Capital and Labour ; but there are in the industrial world of to-day not a few indications which suggest that the battles of industry tend to bring into conflict different industrial classes rather than different social classes, and that this tendency is not only increasing but is being recognized and accepted. Before the "organization of labour" the struggles between individual masters and men were the most striking features in modern industry, and concealed for the most part the underlying forces ; now the war between individuals has disappeared for good or for evil,¹ and with it much of the old significance of the rivalry between Capital and Labour. What we now find is an industrial field whereon employers and workmen stand in armed neutrality, with a balance of power so nicely adjusted that the least encroachment on either side may throw the whole industry out of gear for weeks or months, pending a re-adjustment. As it becomes increasingly difficult for any disturbance from without to be compensated by a re-arrangement of internal relations, the tendency is for each organized group to maintain its own internal economy as against any change from the outside world, and frequently this can only be done by passing on the shock to less compactly organized bodies. For the indefinite margin between wages and profits, which shifted to and fro as conditions of supply and demand enabled one side to encroach upon the other, disappears as the workman erects his standard to mark the line beyond which he will not retreat, while his idea of profits as an indefinitely expansive territory upon which he may advance, breaks down before his fuller knowledge of the trade. It was thus, for instance, that in the coal strike of 1893 the battle as

¹ See "The Method of Collective Bargaining." *ECONOMIC JOURNAL*, March 1896.

between Capital and Labour came to a deadlock, and the workmen, recognizing that their standard could not be maintained as against profits, insisted that the warfare should be directed against the community in a rise of prices.¹

If such a policy succeeds it will be at the expense of the community at large. In such a case as this it is not profits which suffer by the rise in wages, for not unless profits are secured will the system be able to maintain its elasticity against the exigencies of commercial life; and thus it becomes once more evident (as in the breaking down of the Wage Fund theory) that there is no natural antagonism between profits and wages, Capital and Labour.

It might have been thought that the tendency towards such a movement would always appear under some such circumstances as that of the coal strike, the labourer bringing pressure to bear upon the employer to force him to raise prices, but in the "New Trades' Combination Movement" we have an instructive illustration of the way in which Capital and Labour may combine voluntarily and without any preliminary tussle, into a compact fighting body.

A brief summary of this movement is to be found in a leaflet reprinted from the *Furniture and Decoration and Furniture Gazette* (March 15, 1897), and a fuller account in a pamphlet published in 1895, and consisting of five articles reprinted from the *Birmingham Daily Post*. In the first of these articles the chief promoter of the movement Mr. E. J. Smith, states the problem of the difficulties of combining a "living wage" with a "living profit", and gives a gloomy sketch of the commercial prospects of the country. Over-production, unremunerative prices, deterioration of quality, and markets filled with inferior articles, he regards as the characteristics of the time, and all these evils he traces to an inordinate desire on the part of business men to take large orders at any price and to cut out everybody else. "The idea is that nothing but a large output can produce profits, and the intention is to secure it at any cost." In consequence "profits grow less year by year," and the problem is "to find out a way whereby we can trade on safe and profitable lines, which will not drive away our trade, but which will give everybody a better chance, and, while satisfying all reasonable demands from the side of labour will ensure at least some fair and reasonable amount of profit on all business done, whether much or little"

¹ See "The Lock-out in the Coal Trade." *ECONOMIC JOURNAL*, 1893.

The second article, which is perhaps the most interesting of the series, is an analysis of "Cost-taking." To the outsider it seems almost incredible that the business-man should actually not know whether he is selling at a profit or not, but we are assured that "there are few trades which do not contain a number of members who have no adequate plan of fixing the line between profit and loss." . . . "Many business men. . . fail to see the necessity for accurately ascertaining the real cost of an article upon which they must place a market value. It is a common practice for firms just commencing business not only to copy other people's goods, but to take other people's price lists." Further "a lower list is generally adopted in order to get a connection, under the fond delusion that the connection once obtained better prices can be secured. The only result is the general lowering of the market price and the consequent lessening of profit to the whole trade."

The remedy suggested is, first, that in every trade a system of taking out costs should be adopted, and all selling prices arrived at from this basis. In the next place, a minimum profit should be fixed, and no man permitted to take less.

The result of carrying out these two stipulations is not at once clear, but we are told that it would not bring about uniform price lists, inasmuch as "some would sell at lower prices than others, according to the quality of the goods sold . . . all that would be insisted upon would be that, whatever the selling price, it bore the proportion of profit on dead cost agreed to."

But again, we must also take into consideration the variations in cost of production due to working on a large or small scale, or to different capacities of the business-men themselves in buying, etc.; and these variations, we understand, are not to be represented in price, but are to accrue in the shape of extra returns to the particular firm. "Should the most favoured buyer use his advantage by selling his goods at lower prices, or should he keep the difference? At present it is given away in nearly every trade. Why?"

Article three, after dwelling upon the mutual distrust of business-men in the same trade, goes on to suggest ten principles upon which a combination should be formed. These principles ensure amongst other things, that no one shall sell without profit, that this profit shall be fixed at a "safe and reasonable amount," and that it shall be shared "in proper proportions" by every one representing either Capital or Labour engaged in the trade. These proportions are to be fixed by an arrangement as to wages at the

outset, and based upon that a sliding scale or bonus, varying with the returns.

How far these principles are to be enforced within a trade, or only voluntarily adopted, is not quite clear. The members of a trade must not compel any one to join an association who has conscientious scruples, but "in self-defence they must insist upon profitable prices being charged, and fair wages being paid." What this practically means was seen in Birmingham not long ago, when a large metal works was beleaguered in an attempt to force the men into coming out until their employers should join the association.

In article four, the question of wages, which has been so far concealed behind that of profits, is brought forward. Through their Wages Board the work people are to have a voice in the question of selling prices, "they must have the right to consider any proposal to alter them." This, together with the fixing of a standard wage, to be taken into account in determining the selling price, and the addition of a bonus, constitutes the advantage to the workman in the new partnership; for it is distinctly an alliance between masters and men as against the community at large which is contemplated: "The one great principle of the alliance between masters and men is that they agree to support each other. The men will not accept employment under any one in the trade who refuses to get a fair profit on his goods, and the employers refuse to employ an employé who has not joined his trade association." The same point is urged in the smaller leaflet. "It is equally obvious, too, that if strong combinations of employers and employed are formed, they can bring to bear an irresistible force either upon dissentient employers or dissentient work-people, to compel them to conform to regulations by which a fair price and fair wages can be obtained."

The scheme is deserving of attention, if only because it has already been realized to some considerable extent. It is claimed that the whole bedstead trade in this country is conducted upon this system, and that many other trades have followed the example; indeed the movement is said to have succeeded among "industries representing probably one half the artisans of Birmingham," and there are no doubt certain features in it, besides the increase in wages, which are very attractive. To diminish factitious cheapness due to selling at a loss (whether through ignorance or competition) must tend to steady trade, and so far the new scheme might benefit the whole community, as well as the particular section directly involved. But it is

clear that the present intention of the producer is to reap his advantage at the expense of the consumer. It would have been open to the promoters of the scheme to urge that by better organization of the trade they would really lessen the cost of production, *e.g.* by avoiding the loss of capital involved in numerous small failures; but so far as I am aware this line of defence has not been adopted. Nor has the common argument that a higher standard for the workmen will really increase the quantity and quality of the work, been brought forward. The gain is to accrue to the producers alone, and it is to result from a forced rise in prices. This of course can only be maintained ultimately by control and probably restriction of the output; a policy which is clearly contemplated in Mr. Smith's preliminary discussion on over-production.

To create a monopoly, then, is the object of the producers who adopt this system. How far it is possible for it to become universal, and for a monopoly to be maintained in every branch of production, would be an interesting problem to consider; but for my present purpose the chief interest lies in the clear recognition involved in it, of the fact that the real lines of industrial warfare are not between Capital and Labour, but between different sections of producers. It is not sufficient to say, between producer and consumer, for the great majority of consumers are producers whose powers of consumption are limited by the returns they get for themselves as producers. And in so far as organization on these lines is successful the struggle for higher returns (profits and wages) will approach again to the economic bargain between individuals having a monopoly of goods to exchange; with two important differences.

I. Though the seller will be practically one, the buyers will be many.

II. The seller, though one inasmuch as competition will be excluded, will not be able to control the market completely. An individual can withhold any part of his commodity, and thus raise the price for each unit to the very highest the buyers will give; but in this case all holders will be keen to be first in the field, and the whole amount will be in the market at once. Hence though the producers may by agreement maintain a high minimum price they will be unable to create an artificial famine, unless by a closer organization than is at present contemplated.

But though the competition amongst producers to be first in the market (which might lead to a great development in advertising) would remain, *externally* there would only be the com-

petition of alternative commodities (as for example in the great increase in the use of oil stoves during the coal strike). This might, however, be a considerable check on the monopolists if there were any great impetus to ingenuity in discovering substitutes.

But the main point would be that the labourers could no longer fail to see that industrial rivalry lies between themselves. While the policy is confined to one or a few industries, this is not so obvious. The hardship caused by a rise in the price of coal, spread as it would be over the whole community, might be insignificant as compared with the benefit to be reaped by a relatively small number of miners and coal-owners. But as the movement spread, and the miner found, not only firing, but clothing, light, food and tools, all rising in price, he must recognize that it becomes merely a question as to which group of producers can enforce the best terms for itself against other groups of producers.

There can be little doubt which this would be. Where a monopoly is concerned the intensity of the buyers' need, combined with a knowledge of that need on the part of the seller, must always play a principal part in determining the rate of exchange. Hence the producers of the *necessaries* of life, as soon as they discovered their powers, would be able to increase their returns almost indefinitely at the expense of the community. In the absence of competition the total utility of a commodity will make itself felt, and the food, clothing, building, etc., industries in so far as they were successful in organizing, would be able to make the best terms for themselves. (As a question of practical politics, no doubt foreign competition might continue to make this impossible in England, so far as food is concerned; but if the food industries failed to meet this difficulty, and should be the only ones unorganised, they must sooner or later cease to exist and England become completely dependent on foreign countries for her food supply.) A community, therefore, which was completely organized on these lines, would be a community in which the necessaries of life were very expensive as compared with its luxuries.

It may of course be doubted whether the fullest recognition of the true lines of industrial warfare will ever lead any group of producers to be content with less, if they can see their way to make good their claims to more. But it should at any rate alter the lines of social and economic discussions. Instead of the rival merits of "Capital and Labour," or of employer and of employee,

we shall soon be discussing the rival merits of different branches of production, the comparative value of different kinds of luxury for the community at large, and the extent to which the production of mere necessities should be allowed to play an important part in the life of a community. For instance, whether it is better to have an abundance of cheap necessities, and a large population living chiefly on them,¹ or a small population of whom the greater part have both necessities and luxuries. We might anticipate on paper great changes; such as that the Residuum if left to itself would be rapidly starved out of existence, that the agricultural labourer would raise his income more than proportionally to the increased cost of food, and have a larger margin for luxuries, while tailors, shoemakers, weavers, miners, &c., would achieve a like success. Birmingham would perhaps be the greatest sufferer by the change she has initiated, for who would wear "Brummagem jewellery" if it were expensive? And all that part of the community which was *not* concerned in the production of necessities would have a smaller margin for luxuries; so that we might perhaps expect that the ultimate result of the substitution of the problem of Exchange for that of Distribution would be that Distribution itself would tend to greater equality.

Arnold Toynbee in his *Industrial Revolution* says (p. 84), "Finally, in the distribution of wealth there must necessarily be a permanent antagonism of interests. Adam Smith himself saw this, when he said that the rate of wages depended on contracts between two parties whose interests were not identical."

In a further analysis of the question (p. 119) he says, "The division of the produce, on the other hand, is determined mainly by the proportion of labourers seeking employment and the quantity of capital seeking investment; or, to put the case in a somewhat different way, instead of saying that wages are paid out of stored up capital, we now say that they are the labourer's share of the produce. What the labourer's share will be depends first on the quantity of produce he can turn out, and secondly, on the nature of the bargain which he is able to make with his employer."

If it is no longer true (and perhaps it never was true, in any but a superficial sense) that the interests of the "two parties" concerned in the production of a commodity are not identical, it will be necessary to find some theory of wages which is more expressive of the facts than the mere bargain between master and man. "Wages are the labourer's share of the produce." Yes,

¹ See Prof. Geddes in *The Claims of Labour*, and elsewhere.

but not of his *own* produce; and speaking literally, they never were this. It is the share of other people's produce which he has always needed, and which he now sees himself able to increase. And his ability to increase it will depend—partly no doubt on the nature of the bargain (or alliance) which he can make with his employer; but chiefly and essentially on the nature of the bargain he and his employer together are able to make with other producers. That is, the "antagonism of interests" as between Capital and Labour has proved itself to be *not* permanent, and if there is any permanent antagonism it is to be found between different classes of producers.

HELEN BOSANQUET.

THE RÔLE OF CAPITAL IN ECONOMIC THEORY.

ACCORDING to the definition proposed in previous articles,¹ capital is not any particular kind of wealth, but a stock of wealth of any kind existing at an *instant of time*. Its peculiarity lies in its relation to time, not in any characteristics of the goods composing it. It is correlative to income, or more precisely, to economic "flows" through a *period* of time. Since the time-distinction between "stock" and "flow" applies to the value of wealth as well as to wealth itself, and also to property and its value, the term capital is conveniently extended so as to cover four separate but cognate senses, viz.: (1) a stock of wealth, such as the number of pounds of meat in a storehouse; (2) a stock of property, such as the number of railway shares owned by a particular individual at a particular time; (3) the value of stocks of wealth, as the value of a factory plant; (4) the value of stocks of property, as the value of a bank's assets. The "capitalisation" or "capital stock" of a business concern comes under the fourth head.

We saw further that the relations between these several senses of capital depend on the meanings we give to "wealth" and "property." If wealth denotes "useful appropriated material objects" and property, "rights in wealth," or more explicitly "rights to the *services* (or uses) of wealth," then wealth and property are correlative terms, the totals of capital-wealth and

¹ Viz.: "What is Capital?" and "Senses of Capital."—ECONOMIC JOURNAL, December, 1896, and June, 1897. Since these articles were written, I have found several of the conclusions of the former anticipated by Courcelle-Seneuil in his *Traité théorique et pratique d'économie politique*, 1867; and of the latter by Böhm-Bawerk in his *Rechte und Verhältnisse*, 1883. Courcelle-Seneuil observes (vol. i., pp. 47-8) "Le capital n'est autre chose que la somme de richesses existantes, à un moment donné, dans l'espace que l'on désigne ou en la possession de la personne dont on parle," and he proceeds to develop some of the consequences of this conception. Böhm-Bawerk's thorough monograph is devoted to an attack on "immaterial wealth," showing that rights and relations, business connections, &c., invariably involve material goods or persons and the *services* ("Nutzleistungen") of those goods or persons.

capital-property are co-extensive, and the totals of capital-wealth-value and capital-property-value are equal.

The theory of capital, however, has to do, not so much with the relations between the four senses of capital, as with the relations between "capital and income," between economic stocks and flows. These relations, involving as they do the study of the time element in economic science, open up a vast field only parts of which have been explored. The study seems naturally to group itself about three heads: (1) The relations between capital and the outflow which exhausts it and the inflow which replenishes it; (2) the relations between capital and income exchanged against each other; and (3) the relations between capital and the flow of services which it renders. The first sort of relation is exemplified in the connections between a stove-dealer's stock and the annual number of stoves which enter and leave his warehouse; the second is seen in the exchange of a consignment of stoves for a periodical payment of money; and the third, in the connection between the stock which the dealer carries and the profits which he wins thereby. Among the important economic problems under these three heads may be especially mentioned, under (1) the problem of "saving," under (2) the theory of interest, and under (3) the problem of "income" and its distribution.

I.

Capital of any kind always occupies a position, like that of a reservoir of water, intermediate between two flows, the inflow and outflow. This may happen in three principal ways. Capital may be intermediate between (1) its production and destruction, or consumption, (2) between its acquisition and relinquishment, and (3) between its importation and exportation. That is, capital may be viewed in respect of (1) changes of attributes, (2) changes of ownership, and (3) changes of position.

It is important to observe carefully which of the three sorts of changes is germane to any particular problem. This is not always done. Thus, international trade is usually thought of as a study of transportation, whereas it is properly a study of exchange. It is concerned with change of ownership, not change of place. Imports and exports are the "accidents" of international trade. If English cutlery and cloth are exchanged against American railways and breweries, the cutlery and cloth will be transported, but the railways and breweries will not. Americans travelling

in Europe buy and consume abroad great quantities of food, clothing, and personal services. These are a real element of international trade, though they are not included in import and export statistics. Imports and exports are not identical with, and often not even approximate to, the flows of international transfers. Again, we speak of the "migration of capital," meaning the transfer of titles to bank assets. An admirer of the Canadian banking system says that it enables banking capital to "march across the country" at a moment's notice in response to telegraphic orders. He had in mind a rate of speed far exceeding that of the fastest transportation.

The simplest proposition of capital is that it increases or decreases from one point of time to another, according as its inflow is greater or less than its outflow. In other words, capital is or is not increased according as "saving" does or does not take place.¹ Whether "capital consists of savings" depends, of course, on whether at the starting point capital is zero.

The truth and generality of the foregoing proposition are self-evident under the conception of capital here maintained. Under other conceptions the question whether capital is augmented through saving has been fiercely debated.¹ Such controversies are veritable logomachies, for the disagreements arise, as Knies pointed out, from vague and contradictory definitions of capital.² While one group of writers holds that saving always results in capital, another maintains that it can never by itself produce capital, a third that savings may become capital after "transformation" from a preliminary state of bank credits, a fourth that saving is an independent factor of production, a fifth that capital arises through saving and production jointly. Böhm-Bawerk states that Robinson Crusoe could not acquire capital simply by saving wild berries. "Crusoe may save and stint as much as he please; he will accumulate a store of berries—goods for consumption—but that will never give him a single bow or arrow. As we can easily see, these must be positively produced."³

The theorem may be expressed algebraically as follows:—the amount of capital (C') of a designated category at any *instant* of time equals the amount (C) at any previous instant, plus the additions (A), or total inflow during the intervening *period* of

¹ Cf. Turgot, *Reflexions sur la formation des richesses*, sec. lix.; Courcelle-Seneuil, *Économie politique*, I., p. 50; Cannan, *Production and Distribution*, p. 72; Knies, *Das Geld*, p. 65.

² *Das Geld*, p. 65.

³ *Positive Theory*, p. 101.

time, and minus the subtractions (S) or outflow during that period, *i.e.* :—

$$\begin{aligned} C' &= C + A - S, \\ \text{or}^1 \quad C' - C &= A - S, \end{aligned}$$

that is, the *increase* of capital during the period equals the savings. If t denote the duration of the period, we may write :—

$$\frac{C' - C}{t} = \frac{A}{t} - \frac{S}{t},$$

or the *average rate of increase* of capital equals the average rate of inflow, less the average rate of outflow. The “increase” may, of course, be negative. If $A = S$, then $C' = C$, and capital remains stationary. If t be indefinitely decreased towards the infinitesimal dt , then $C' - C$ will approach the infinitesimal dC , and A and S will approach dA and dS . The foregoing equation will become :—

$$\frac{dC}{dt} = \frac{dA}{dt} - \frac{dS}{dt}, \text{ or } c = a - s,$$

or, the *instantaneous rate of increase of capital* equals the difference between the instantaneous rates of its inflow and outflow. This remains true whether the instantaneous rates be taken as the literal and actual instantaneous rates, or, as is usual for birth rates and death rates, they be taken as the hypothetical rates obtained by interpolation and “smoothing” the actual rates. Where changes occur *per saltum*, the latter method is convenient.

It is well known that birth rates and death rates just referred to are not “rates” in precisely the same sense as the “rates” of the preceding formulæ. To reach such *percentage rates* we need only divide by C , giving :—

$$\frac{C' - C}{Ct} = \frac{A}{Ct} - \frac{S}{Ct}$$

and

$$\frac{c}{C} = \frac{a}{C} - \frac{s}{C}, \text{ or } \gamma = a - \sigma,$$

that is, the percentage rate of increase of capital (whether average or instantaneous) is the difference between the percentage rates of inflow and outflow.

The dimension of a percentage rate (as $\frac{A}{Ct}$), since A and C are of the *same* dimensions, is t^{-1} . The reciprocal of a percentage rate is, therefore, simply *time*.

¹ Cf. Courcelle-Seneuil, *loc. cit.*, p. 50.

The *time of turnover* of capital of any specified category is the interval during which the total outflow equals the capital at the commencement of the interval, and during which, consequently,¹ the inflow equals the capital at its termination. The reciprocal of the time of turnover is the *rate of turnover*. Thus, if a dealer buys and sells bicycles at the rate of 100 per year, and keeps on hand a stock of 20, the rate of turnover is five times per year, and the time of turnover one-fifth of a year.

If the rate of outflow (s) is constant, $\frac{C}{s}$ is the time of turnover *beginning* at the instant to which C refers. If a is constant, $\frac{C}{a}$ is the time of turnover *ending* at that instant. More generally, whether s is an average rate, an instantaneous rate, or a "smoothed" instantaneous rate, $\frac{C}{s}$ is the time the turnover *would* occupy (beginning at the instant to which C refers), if the rate of outflow *were* constant and equal to s . We therefore call $\frac{C}{s}$, or $\frac{1}{\sigma}$, the *prospective* time of turnover. Its reciprocal, σ , which has already been named percentage rate of outflow, may be called prospective rate of turnover. Similarly, $\frac{1}{a}$ and a are the *retrospective* time and rate of turnover.

If a and s are not only constant but equal, the time of turnover will be constant and equal to $\frac{1}{a} = \frac{1}{\sigma}$. More generally, if the rate of inflow at any instant equals the rate of outflow at a *later* instant, the two instants being separated by a constant interval, the time of turnover is constant and equal to that interval. Simultaneous inflows and outflows need not be equal.²

These ideas have application to a variety of problems. The notion of a turnover is familiar in business, and has been used to some extent in economics and population statistics. An example of their applicability will be given for ownership-flows. We have here the "societary circulation" of Newcomb,³ the much debated "quantity theory" of money, and the idea of the "velocity

¹ Since $C' - C = A - S$, if $S = C$, $A = C'$.

² An important special case occurs when a and s so vary that a and σ remain constant. Then the time of turnover will remain constant and equal to:—

$$\frac{\log a - \log \sigma}{a - \sigma}$$

which reduces to $\frac{1}{a}$ or $\frac{1}{\sigma}$ when $a = \sigma$ (and when consequently also $a = s = \text{constant}$).

³ *Principles of Political Economy*, New York, 1886, Book IV.

of circulation of money." In treating this velocity, we may pursue either of two methods. We may begin by watching, as it were, a single unit of money as it passes through various hands, or we may watch a single hand as various units of money pass through it, just as, to measure the velocity of a railway train, we may seat ourselves within it and count the rails we pass over, or we may take our stand outside at a point along its route and count the cars which pass by. The former method is the more readily thought of, but the latter possesses, as we shall see, several advantages.

Consider a community in which property is changing hands. Part of the total transfer, or flow, is not balanced by a reverse flow, but consists of gifts, bequests, charity, taxes, thefts, &c., but by far the larger part is *exchanged* for a return flow of equal value. Dividing property into three¹ classes: money, bank deposits, and "goods" (to include everything not in the first two classes), we may distinguish six sorts of exchanges, three within each class, viz.: goods against goods, or barter; deposits against deposits, as when a draft is purchased by a cheque; and money against money, as in "changing" a bank-note; and three between classes: money against deposits, money against goods, and deposits against goods. In a complete theory all six should be included. The fourth (money against deposits) is important in the theory of banking.² But for our present purpose only the last two need be considered, viz.: goods against money and deposits. It is also unnecessary to discuss here the best boundary lines between the three categories.

An individual *I* spends money at the rate of s_1 pounds per year, and pays cheques out of his bank deposit at the rate of s'_1 per year in purchasing quantities of goods of various kinds, q_1, q'_1, q''_1 , &c., at prices p, p', p'' , &c., so that

$$s_1 + s'_1 = pq_1 + p'q'_1 + p''q''_1 + \dots$$

In like manner, for individuals *II, III*, &c., we have:—

$$s_2 + s'_2 = pq_2 + p'q'_2 + p''q''_2 + \dots$$

$$s_3 + s'_3 = pq_3 + p'q'_3 + p''q''_3 + \dots$$

&c.

Adding these equations, we have:—

$$\begin{aligned} \Sigma s + \Sigma s' &= p(\Sigma q) + p'(\Sigma q') + p''(\Sigma q'') + \dots \\ &= pQ + p'Q' + p''Q'' + \dots \\ &= \Sigma pQ \end{aligned}$$

¹ Cf. Newcomb, *Principles*, chapter xv.

² See Edgeworth, *Mathematical Theory of Banking*, *Jour. Roy. Statist. Soc.*, March, 1888.

Denoting the quantity of money in circulation by M , and the bank deposits by D , we may transform this equation to:—

$$M \frac{\Sigma s}{M} + D \frac{\Sigma s'}{D} = \frac{\Sigma pQ}{\Sigma p_0Q} \Sigma p_0Q$$

where $\Sigma p_0Q = p_0Q + p'_0Q' + p''_0Q'' + \dots$ in which p_0, p'_0, p''_0 , &c., indicate prices at some standard year, as 1860.

The last equation may be written:—¹

$$MV + DU = PT \dots (1)$$

Here M is the volume of money in circulation, V its velocity of circulation, D the volume of deposits, U their velocity, P the index number for prices with respect to the base year as unity, T the rate of flow of business transactions.

The last two may require a word of explanation. T , the amount of business, must not be reckoned at the prices p, p', p'' , &c., of the time considered; for, in that case, it would not be independent of the price level P , and would therefore be useless as a means of comparing one year's business with another. Yet it must involve some sort of price factors in order that the terms of which it is composed may be commensurable. As it is, T is the value of the annual transactions at the time considered *reckoned at the prices of the base year*. P is a weighted arithmetical average of $\frac{p}{p_0}, \frac{p'}{p'_0}, \frac{p''}{p''_0}$, &c.. For

$$\frac{\Sigma pQ}{\Sigma p_0Q} \text{ may be written } \frac{\Sigma \left(\frac{pQ}{p_0Q} p_0Q \right)}{\Sigma p_0Q} \text{ or } \frac{\Sigma \left(\frac{p}{p_0} p_0Q \right)}{\Sigma p_0Q}$$

which is the formula for a weighted arithmetical mean of $\frac{p}{p_0}, \frac{p'}{p'_0}$, &c., the weights being p_0Q, p'_0Q', p''_0Q'' , &c. In words, the index number is the average of the price ratios between the year considered and the base year, each article being weighted according to the value of its sales *reckoned at the prices of the base year*.

The left member of (1) might also be written: $(M+D) \frac{\Sigma s + \Sigma s'}{M+D}$ or, denoting $M+D$ by C (currency) and $\frac{\Sigma s + \Sigma s'}{M+D}$ by R (rapidity of circulation of currency), we have as a second form of (1):—

$$CR = PT \dots (2)$$

¹ Cf. Newcomb, *Principles*, pp. 322-328; Hadley, *Economics*, p. 197.

Evidently R is a weighted average of V and U , viz. :—

$$R = \frac{MV + DU}{M + D}.$$

If R and T are constant, P is directly proportional to C . This is the "quantity theory" about which much needless dispute has arisen. Of course this theory cannot be disproved by simply showing that since 1873 P has decreased while C has increased, for we know that T has not been constant but has increased greatly, while of R we know practically nothing. Properly stated, the quantity theory seems quite unexceptionable. It is one of six theorems obtained by making any two of the four letters constant. Thus, if C and P are constant, R is proportional to T .

But we must not assume without proof that the four magnitudes are independent. If it should appear that $R = \frac{k}{C}$ (k being a constant), the quantity theory could have no application, for the supposition that R remains constant while C varies would be impossible. Such a connection between R and C is highly improbable, but it may serve to remind us of our present ignorance of the dependence¹ which does or may exist between R and other magnitudes. Though R may not depend on C , it is quite probable that it depends on $\frac{dC}{dt}$, the rate of change of C . If when currency is expanding, prices rise, everybody tries to get rid of money as fast as possible. Such an increase of R would tend still further² to increase P , as long as C was changing. Again, T is not altogether independent of C . For instance, a change in the quantity of gold used as money will be accompanied by a change in the supply of gold ornaments, and this change will affect the market of jewellery not made of gold, and so affect T , slightly at least. Moreover, the fact that wrought gold cannot vary greatly in price under a gold standard will at least cause a dislocation in the component price ratios of which P is an average.³ Irrespective of disturbances due to money metal being also an article of commerce, there seems to be little doubt that an increase of C causes an increase of T during the transition period, that is, an increase of money stimulates trade for a time.

¹ Pierre Des Essars, in the *Jour. Soc. Statistique, Paris*, April, 1895, shows that the velocity of circulation of bank deposits, U , varies with crises. They will also be found to vary with the rate of interest.

² Cf. Marshall, *Principles*, I., 3rd ed., p. 674; my *Appreciation and Interest*, p. 87; Wicksell, *Conrad's Jahrbuch*, 1897, Bd. 13, Hft. ii., p. 228.

³ Cf. Walras, *Éléments*, p. 384.

The quantity theory is often stated without reference to "credit" or D . This assumes tacitly that the term DU is always proportional to the term MV , or, more restrictedly, that U and V are constant and D varies with M . However plausible this hypothesis may be for ideal equilibrium, it is probably far from true in the dynamic case, *i.e.*, during transition periods from one state of equilibrium to another. The ratio $D:M$ is probably large when prices are rising, and small when prices are falling. This relation involves the rate of interest.¹ Much light is needed on these problems. Further discussion of them here would be out of place. Space can be spared only for the following brief comments on the formula as given above.

(1) Contrary to the usual opinion, P and T include the prices and quantities of "labour" (human services), as well as "commodities" in the more restricted sense. Hence, if C , R , and T remain the same, a rise of wages tends to cause a fall of prices of commodities in order that P may remain unchanged. In like manner fixed payments, maturing debts, &c., are included in T and P . These fixed prices have a tendency to intensify either a fall or a rise of other prices.

(2) P is a weighted arithmetical mean. But the system of weighting is not the "budget method" nor any other actually in use. Surprise may be felt that P does not possess the property that the ratio of the index numbers for, say, 1897 and 1890, shall be the index number for 1897 with 1890 as base. The supposed necessity for this property in a true index number has led some writers to advocate the geometrical mean. But the weights for P , the index number of prices, cannot be dissociated from the co-efficients of T , the index number of transactions. It follows that *any* scale of prices, p_0 , p'_0 , p''_0 , &c., may be taken as base. Whatever effect a change of scale has on P is precisely compensated for by the concomitant effect on T .

(3) The method given for treating R , or the two velocities V and U , of which R is an average, suggests a practical method of determining these magnitudes statistically. Although we cannot follow a coin through its successive holders and observe how fast it travels,² we can observe how fast each individual turns over his money.

¹ See Wicksell, Marshall, and Fisher, *loc. cit.*

² Even if we could, we should need to reduce our results by a large fraction since much of the circulation of coins and bank notes is against the circulation of other coins and notes in "making change." Retail dealers say that they pay out in change probably half what they receive in gross.

Evidently,

$$\begin{aligned}
 V &= \frac{\sum s}{M} \\
 &= \frac{\sum s}{\sum m} \\
 &= \frac{\sum \frac{s}{m} m}{\sum m}
 \end{aligned}$$

where s has its previous meaning and $M = \sum m = m_1 + m_2 + m_3 + \dots$, in which m_1, m_2, m_3 , &c., are the quantities of money in the hands of the separate persons *I, II, III*, &c., at the instant M is computed; or better, if M be the average through the year, m_1, m_2, m_3 , &c., are also averages (arithmetical time averages) through the year.

Hence the velocity of circulation of money is the arithmetical average of the separate rates of turnover¹ of type $\frac{s}{m}$, weighted according to the stock of money associated with each of these rates. Consequently, just as an index number of prices can be approximately computed by a judicious selection of articles to be averaged, so the velocity of circulation of money may be approximately computed by a judicious selection of persons. Inquiry among workmen, mechanics, professional men, &c., according to the methods of Le Play might elicit data on which useful calculations could be based, after taking into account the distribution of population according to occupations. A hundred such returns among students at Yale University indicate an average velocity of forty-five times a year, making the average length of time a dollar rests in one man's hands about eight days.

Similarly,

$$U = \frac{\sum \frac{s'}{d} d}{\sum d}$$

where $D = \sum d = d_1 + d_2 + d_3 + \dots$ = the individual bank balances. On this score we have exact statistics. M. Pierre Des Essars has employed methods like these in computing the velocity of circulation of bank deposits in continental banks.² His very valuable

¹ In the above treatment, the rate of turnover is the "prospective" rate, but a similar result obtains of the "retrospective" rate. If the market or country considered is closed to foreign trade, every payment is also a receipt, so that $\sum s = \sum a$ and V has the same value whether reckoned prospectively or retrospectively or in the symmetrical form $\frac{\sum (s+a)}{2m}$. The last is employed by Des Essars, referred to below.

² *Jour. Soc. Statist. de Paris*, 1895, p. 143.

results show that this velocity is exceedingly variable both as to time and place. Germany shows a velocity of 160, Greece of 1. In France the figure varies from 98 in 1886 to 138 in 1891. Similar figures obtained of the City Bank of New Haven show an average 15. Probably New York would show a larger velocity.

The determination of V and U would throw a flood of light on monetary problems. In particular it would settle the controversy over the relative magnitude of cheque and cash transactions,¹ i.e., the ratio of DU to MV , for the ratio of D to M is known, at least in the United States.

(4) T is a flow and not a stock. The oft-heard statement that the level of prices is a fraction whose numerator is money and denominator goods is inaccurate. Stocks of goods not exchanged have no influence on T . However, if we wish, for symmetry's sake, we may write T in the form $C' \frac{T}{C'}$ where C' is the value of the total stock of "goods" in the country reckoned at the prices of the *base* year. Then, if $\frac{T}{C'}$ be denoted by R' (which may be called the average velocity of circulation of goods), (2) becomes:

$$P = \frac{C R}{C' R'}$$

We must pass over the flows and stocks connected with changes of attributes and of position. The former involve, besides initial "production" and final "consumption," all intermediate transformations, thus affording a *quantitative* treatment of "qualitative" changes. The latter are exemplified in the "tonnage" clearing a port, and in the compound magnitude "ton-mile" used in railway statistics.

II.

The exchange of property between two parties consists of two opposite ownership-flows. These flows may have any duration, any date of beginning, and any distribution of rate. The two may be like or unlike in duration, date, rate, and the sort of property composing them. Thus a flow of wheat lasting five years, beginning in 1899, and consisting of 100 bushels the first year, and 50, 150, 75, 230 in the succeeding years may be exchanged

¹ David Kinley and Willard Fisher, *Journ. Pol. Econ.*, vol. iii., pp. 203, 391.

for a supply of coal for seven years beginning in 1898, in the ratios 1, 2, 5, 3, 9, 4, 6. The *magnitude* of the latter flow will of course depend on the terms of exchange.

When the two flows are contemporaneous and their simultaneous elements are always equivalent, the element of time drops out entirely. At the other extreme the type which brings out the time element in its greatest simplicity is that where the two flows consist of the same sort of property and begin at the same time, but one is infinitely short in duration and the other infinitely long and of uniform rate. A perpetual supply of three loaves of bread annually is exchanged for the immediate delivery of 100 loaves. This is an *exchange of capital against income*. The ratio of exchange is the *rate of interest*. Interest is thus a special case of exchange price. If the capital be designated by C , and the income be measured by its rate $\frac{c}{t}$, c being the total flow through the time t ,

then the ratio of exchange $\frac{c}{t} : C$ or $\frac{c}{C} : \frac{1}{t}$ is the rate of interest.

$\frac{c}{C}$ being the ratio of two quantities of the same sort, is a pure number or a *per cent*. Hence rate of interest (like percentage rates of inflow and outflow) is of dimension¹ t^{-1} . Its reciprocal $C : \frac{c}{t}$ is therefore of dimension t , or simple time. This is recognised in popular language when an income is spoken of as worth so many "years' purchase."²

Interest being thus a pure time conception, it is small wonder that the theory of interest which is gradually but surely winning the day in economic science is based so firmly on the time element. The conceptions here put forward do not oppose, but confirm that theory. It is true that Böhm-Bawerk employs as the simplest type of exchange involving interest, not that of a stock against a flow, but that of present goods against future goods of like kind, the time-interval between the two being the unit of time. The ratio of exchange in such a trade is not itself the rate of interest, but exceeds the rate of interest by unity; *i.e.*, the "agio" of this year's goods over next year's goods is the rate of interest. But the two types, that of Böhm-Bawerk and that here suggested, are interchangeable. Either can be derived from the other. An example will make this clear.

¹ Cf. Jevons, *Theory*, p. 247; Wicksteed, *Quar. Journ. Econ.*, April, 1889.

² The "purchase period" has the interesting property that £1 put at "ideal" or continuous interest (see *infra*) during that period will amount to the same sum £ c (the Napierian base, about 2.718) whatever be the rate of interest.

When a terminable annuity is bought, the transaction may be resolved into two exchanges of perpetual annuities. The purchase of a bond yielding £3 per year and maturing at £100 in forty years, is identical in effect with the purchase of a perpetual annuity of £3 per year coupled with the sale of the same annuity at the end of forty years at the price £100, the two opposite and equal annuities after the expiration of the forty years cancelling each other for ever. Now if, instead of forty years the period be one year, we have the purchase of £103 due in one year resolved into the purchase to-day, and resale one year hence, of the perpetual annuity of £3. In other words, the type of exchange employed by Böhm-Bawerk may be expressed in terms of the type here suggested. Conversely, a perpetual annuity may be regarded from Böhm-Bawerk's standpoint as a series of future sums sold for their combined discounted value to-day.

We see therefore that the two types of exchange to which others are reduced for reference are not discordant, but complementary. That emphasised by Böhm-Bawerk corresponds in the business world to *discount*, involving only two lump sums of money. The other corresponds to *interest* flowing continuously.¹ For want of this double point of view, some writers seem to me to have attacked Böhm-Bawerk's theory needlessly. He and his critics have simply been accustomed to opposite sides of the shield.

We may note, in passing, that Böhm-Bawerk's *Kapitalzins* has no vital connection with his *Kapital*. He reached a correct theory of interest only by abandoning his elaborately prepared definition of capital: Every careful reader of the *Positive Theory* must have remarked that "an exchange of present against future goods" is not restricted to any particular sort of goods. Böhm-Bawerk even applies "*natural* interest," for which his definition of capital seemed to be specially prepared, to land, to dwellings, and other goods besides "intermediate products." In this respect Rae, the chief anticipator of Böhm-Bawerk, was more consistent. Though he uses the word stock instead of capital, he expressly applies the theory to all stock.

In the previous reasoning the interest was regarded as accruing at yearly intervals. The argument is easily extended to half-yearly, quarterly, or even momentarily payments. The last conception, viz., of a continuous and even flow of interest, is a natural one, especially when interest is regarded as a ratio of a flow to a fund. It is familiar to actuaries. Practically there is

¹ Cf. Hadley, *Economics*, p. 274.

little difference between such *ideal* interest and yearly or quarterly interest. Five per cent. of ideal interest is equivalent to 5.13 per cent. yearly interest. In general, if i be the ideal and i' the yearly rate of interest, they satisfy the formula $1 + i' = e^i$.

It should be emphasised that a rate of interest arises when the stock and flow *in terms of which* it is expressed consist of the *same kind* of goods. This was explicitly recognised by Böhm-Bawerk but denied by some of his critics. They have taken pains to point out that seldom are present and future goods of the same kind exchanged. This is true but quite beside the point. One might as well contend that the price of wheat in England or America is not a gold price, because actual gold is seldom paid. That sameness of goods is essential to the expression of interest is evident when we attempt to answer such a question as, "What rate of interest is involved in an exchange of 100 bushels of this year's wheat for 150 pounds of next year's wool?" or again, "What is the rate of interest when 10 yards of cloth per year are given for £100 cash down?" When we pass from sameness of goods to difference, we need to introduce a price factor as a go-between. The ratio of exchange of a flow of one sort of wealth and a stock of another sort is a magnitude quite different from a rate of interest. *Rent* is an example. A tenant pays his landlord so many *pounds per year per acre* instead of such a *per cent. per year*. Only after the acres are expressed in pounds, or the pounds in acres can the ratio become of the same dimension as a rate of interest.

We cannot here enter upon the arduous problem of what *determines* the rate of interest (or rather *rates* of interest, since rates differ for different risks, date and duration of contract, and standards of value¹ in which the contract is expressed). ✕

III.

In some respects the third group of relations, those between stocks of wealth and the flows of services they render is the most important and fundamental of all. It has been reserved till now, partly because it required the idea of a rate of interest to precede it, and partly because it relates to problems of economics which lie in even greater obscurity and confusion than those thus far touched upon.

¹ See De Haas, *A third element in the rate of interest*, *Jour. Roy. Statist. Soc.*, 1889, p. 99; J. B. Clark, "The Gold Standard in the light of recent theory," *Polit. Sci. Quart.*, Sept., 1895; Irving Fisher, "Appreciation and Interest," *Publ. Amer. Econ. Assoc.*, 1896, p. 91.

I have already¹ called attention to the fact emphasised by Rae, Böhm-Bawerk, and Cannan, that all wealth exists solely as instruments for rendering services to man, that is, bringing about the occurrence of desirable events or preventing the occurrence of undesirable ones. Disservices, *i.e.*, the promotion of undesirable or prevention of desirable events, may also be rendered; but they are always subordinate. The utility of the services must exceed the disutility of the disservices, else the article would not be useful and not be wealth. I have also observed that the ideas utility and services must be kept distinct. Services are desirable events, not the desirability of those events. When the events are homogeneous they are easily measured as so many holes punched, so many piles driven, so much planing, sawing, hauling, cleaning, repairing, removing, watching accomplished. Services are thus measured "by the piece." Services are always a flow and never a stock. The rate of flow, or the ratio of the services performed in any time to the time of performing them is the time-efficiency of the services. Where time-efficiency is approximately constant throughout the period considered (or where the services rendered are heterogeneous, but the time-efficiency of their aggregate *value* is approximately constant), they are often measured "by time." Where the services are those of "human wealth," we use the expressions, "piece work" and "time work." Time wages equal piece wages multiplied by time-efficiency.

Services of wealth and "uses" of wealth are here regarded as synonymous, though the former term is generally applied to man and the latter to external wealth. Services are usually regarded as separable from wealth. We speak of buying goods *and* services, — or wealth *and* the uses of wealth, as if the two were mutually exclusive. A moment's reflection will show, however, that the *only* element of commerce is service. To hire a piece of land for a year is to buy a year's use of it. To "buy the land itself" is to acquire its use for ever. To buy a house is to buy its shelter as long as it affords shelter. To buy a roast of beef is to buy its use until it is "used up."

We see then that present wealth and prospective services are correlative and inseparable. The value of the services we shall call the *income* from the wealth. Every article of wealth, therefore, yields income.² Land yields it perpetually; houses, ships, railways and machinery, for long periods; tools, shoes, clothes,

¹ ECONOMIC JOURNAL, vol. vii., p. 202.

² Cf. Cannan, *Elementary Political Economy*, p. 7; Walras, *Elements*, pp. 197, 261.

carpets, for moderate periods; food, fuel, illuminants, for short periods. Every article of wealth is to be pictured as simply the tangible and visible handle to hold fast invisible streamers or filaments of services reaching out into the future. These successions of services are the "natural interest" of capital, to adapt a term of Böhm-Bawerk. But it must be very carefully observed that wealth and its services are quite incommensurable, and that therefore no "interest rate" can exist between them until both are reduced to a common standard. We find no "rate per cent. per annum" by dividing the yards of spinning accomplished per year by the number of spinning machines. But such a rate may be obtained by dividing the annual value of the spinning by the value of the machines. This suggests why a man who lives in his own house seldom thinks or speaks of the rate of income it yields him on his investment, while a man who rents out his house does. In the latter case the common reduction of the income and capital to the money standard is already performed. In the former, it must first be estimated.

Time was when economists would not admit that the personal use of a dwelling house was a part of one's income. Adam Smith says that such things are not a source of income but of expense. Recently, however, especially since the appearance of Marshall's first volume, economists have become accustomed to a different view. Text-books now usually point out that a "part" of income consists of services of man and uses of durable wealth. I propose to go a step further, and to show that *all* income consists of services. This view will, I feel sure, be found to simplify and clarify problems of income, and, strange as this may seem at first, to bring us closer to popular and instinctive notions. In the cautious admissions that services may be income no precise limits have been specified, but the effort has been to make them as narrow as possible. In pursuing such intangible elements it was felt that we were leaving the *terra firma* of concrete income. Though the use of a house is income there seemed to be no need to apply the same idea to the use of a horse and carriage, of a suit of clothes, of an umbrella, of a candle, or of a loaf of bread. The latest elaborate treatise¹ on income and its distribution represents as absurd a lazy man's receiving income by sitting in an easy chair or lying in bed. Certainly it offends first instincts to reckon such items in income. But first instincts are often, if not generally, wrong in political economy. Utility was once supposed with absolute confidence

¹ Kleinwächter, *Das Einkommen und seine Verteilung*, Leipzig, 1896.

to have a very subordinate place in the theory of value. To-day it is the corner stone. It was once thought that only a few exceptional articles, such as growing trees and mellowing wine,¹ increase in value, while passing through the stages of production, by more than the value of the labour put upon them. To-day we know that such increase is universal.² This last example, as will be seen, is closely related to the point at present urged that not a few but all articles of wealth yield income. Just as in the cases mentioned the apparent exception turned out to be the rule, so, I venture to believe, the reluctant admission of services or uses as an extraordinary or exceptional sort of income will grow into the doctrine that it fills and exhausts the category of income in the restricted sense of that word.

The flow of services issuing from an article of capital may have any duration and any distribution of rate. In every case the capital value of the article is the discounted value of its anticipated services. If interest is at 5 per cent., an article worth £100 may derive that value from the circumstance that it is expected to "ripen" in a year into services worth £105, as when a stock of sky-rockets existing in 1896 is kept to be set off at the Queen's Jubilee in 1897. Or the £100 may be derived from the prospect of yielding services worth £20 the first year, £40 the second, £30 the third, and £23 the fourth, as when a fruit tree bears little at first, then increases, and finally decreases its fecundity until exhausted. Again, the £100 may come from the expectation of services worth a steady £10 annually for fourteen years, as in the case of a carriage horse which continues to work as long as he lives. Finally, the article may be worth £100 by promising to yield £5 a year perpetually, as in the case of a piece of land or a stone house.

When we wish to compare the incomes of different articles it is convenient to reduce them to a common type. The type which best serves this purpose is the last in the above examples, that of a perpetual and uniform stream of services. A man who derives an income of 10 per cent. from a piece of property for fourteen years only, usually calls this "gross" income and subtracts an annual "sinking fund" to obtain the "net" income. This is only an arithmetical procedure designed to find the equivalent of the temporary income in a perpetual income. In the same way a suit of clothes delivers up its services with great

¹ Ricardo's letters edited by Hollander, *Publ. Amer. Econ. Assoc.*, vol. x., p. 153.

² Böhm-Bawerk, *Positive Theory*, p. 300; Cannan, *Elementary Political Economy*, p. 59. Marx also observed the fact in his "*Mehr-Wert*."

rapidity in comparison with its value, yielding, perhaps, $53\frac{1}{2}$ per cent. per annum for two years, the equivalent of 5 per cent. per annum for ever. A loaf of bread may yield 5,200 per cent. per annum for one week.

Now, an article which will not of itself last for ever and yield a constant stream of services may be made to do so through renewals and repairs. In this case the sinking fund is something more than an arithmetical calculation. It is a stream of actual *disservices* occasioned by the article. The value of these disservices must be deducted from that of the services to obtain the net income from the article. A man who receives a rent of £1,000 from a dwelling house, subtracts from this the value of the annual disservices necessary to the upkeep of the property. The man who lives in his own house does the same. If all capital be thus kept at a constant value-level and the rate of interest remains constant, the income from that capital is a uniform flow, and bears a uniform ratio to the capital, a ratio equal to (I do not say "determining") the rate of interest¹ if uncertainty be eliminated through insurance or otherwise.

Income is the value of *all* services, disservices being included in the sum as negative services. We do not need to examine the character of different sorts of services and weed out the "intermediate" ones, as would Böhm-Bawerk, leaving only the "ultimate" or "enjoyable" services; nor on the other hand, with Adam Smith, to pass over such "unproductive" services and leave only "productive." In the view of Böhm-Bawerk and Taussig, income is associated with private houses, ornaments, food, and clothing; in that of Adam Smith and Mill with factories, machinery, and raw materials. But a far simpler and clearer as well as more useful view associates it with both and in the same way. A man owns a furnished house, which, besides supplying him with shelter and comfort worth £1,000 annally, requires constant cleaning, renewal, and repairs, which cost £400 annually. The income from the house is therefore £600, not £1,000. He owns also a number of horses whose services he sells for £400 in money with which in turn he buys the services of domestics and carpenters in cleaning, renewing, and repairing

¹ A man who keeps on hand a stock of clothes worth £50 might, by reducing this to £40, put the £10 at interest. He does not do so because the utility of the services procured through that £10 worth of clothes in his possession exceeds the utility of the services of an extra £10 in yielding interest. On the other hand he does not enlarge his wardrobe to £60 because he prefers *not* to "lose the interest" on *that* £10. At the point of equilibrium the services from marginal increments of clothing, interest bearing funds, and other forms of capital are equal.

his house and furniture. The horses, however, require feeding and stabling, disservices amounting to £100 annually, and reducing the income from the horses to £300. A small farm consisting of pasture and stable render the services of feeding and stabling, yielding an income of £100. The total income is $£600 + £300 + £100 = £1,000$, and this is made up out of elements from all of the three kinds of capital. We may, of course, if we choose, say that this £1,000 consists solely of the original shelter and comfort of the house. But we must not forget the *disservices* of the house which reduce its quota of the £1,000 to £600. In the same way we might say that the residue, £400, consists entirely of the use of the horses (or rather of services purchased therewith), but here again we must not forget that the horses do not supply all of this; £100 belong to the farm.

The difficulties which have beset most theories of net income grow out of the neglect of disservices. A man who enjoys a use benefit of clothing amounting to £100 a year, does not derive it solely or even principally from the stock of clothes he keeps in his possession. This stock, to be kept up, requires mending and replenishing amounting, say, to £90 a year, leaving only £10 as the income from the stock of clothes itself. The £90 is supplied by looms or other capital. A food income of £500 is not yielded by the small stock of food kept on hand in the pantry. The annual upkeep of this stock reduces the income by £499. Only the residue of £1 is to be ascribed to the stock of food, and this small income is not so much a nutrition income as an insurance income, the chief use of food kept on hand being to insure a ready supply. So also the money in the purse or the deposits in the bank will not pay one's bills all the year round without constant replenishing. The net service of such capital is chiefly "to insure solvency."¹ Every one keeps some money by him on which he is glad to "lose the interest" for the sake of its use as reserve. Thus we see that the income to be associated with money is not what is usually called "money income," but a part of "real income." To count it in our sum of income for an individual or a community, is not to count something already included, but to bring into the inventory the service of the "great wheel of circulation."

With these explanations we are in a position to see the point of departure between the present theory of income and those usually held. In these the annual *supply* or *consumption* of food

¹ Rae, *New Principles of Political Economy*, p. 178; Hadley, *Economics*, p. 181.

and clothing, not their *use* is regarded as income. That is, income is conceived as a flow of the *first* of the three kinds distinguished in this article, instead of one of the *third*. To be sure I have just admitted that the difference between the value of food annually consumed, and the value of its use *before the cost of replenishing is deducted* is quite insignificant; but, as generally happens with theories which start out with small errors, the adoption of the one idea rather than the other threw the whole theory on to the wrong track. When applied to non-enjoyable wealth, it was clearly perceived that the annual supply of wool, paper pulp, nails, or pig-iron could not be called income, that if wheat and bread are both included we count the same thing twice, and so on. When, proceeding in a different direction, we attempt to apply such a theory to durable articles of personal use, such as dwelling houses and furniture, we run up against other difficulties. We cannot call the annual purchases of carpets and chairs to replace outworn or broken ones, income without adding something for their "wear" or use. Much less can we consider the repairs of a house or the number of houses annually built or consumed as income. That is, in putting consumption in place of use, the error which was negligible in the case of food and nearly so in the case of clothing, becomes appreciable for more durable goods. For articles which last permanently without deterioration the error amounts to 100 per cent. In consequence of such defects these theories of income fall back on that never-ending resource of imperfect theories—classification. It is contended that income consists of "enjoyable" wealth provided that wealth is "immediately" consumed, but of its uses if that wealth is "durable." In no case does it consist of "inchoate" wealth or its uses. The "Einkommenlehre" thus becomes a patchwork of vague and impossible distinctions, and overlooks entirely the intimate relation between income and capital. Just as the simplest and most useful conception of capital includes *all* stocks of wealth, so that of income includes *all* flows of services. And the two conceptions thus formed are exact and perfect counterparts of each other. All services flow from capital (including human capital) and all capital is the fountain of services. When the flows are all rendered perpetual and uniform the value-ratio of the income to its capital is identical with the rate of interest. The owner of the house, horses, and farm would assess them, if interest was at 5 per cent., at twenty years purchase of their respective net incomes, viz.: at £12,000, £6,000, and £2,000, making a total

capital value of £20,000. He is possessed therefore of £20,000 capital and £1,000 income, not as separate properties but as different "modes of measuring"¹ the same property. The capital is simply income "capitalised." Adam Smith's dictum that capital is "that portion of" a man's stock from which he expects to derive an income, is true, but more comprehensive than he supposed. It is not a restrictive definition of a part of stock but a general property of all stock.

So far, capital of all kinds was supposed, as it tended to become reduced, to be continually replenished and kept at the same value. Interest being assumed constant, income thus remains constant and equal to the interest on the capital. But such perfect equilibrium does not exist in practice. No sort of capital can yield services continuously. Farms and vineyards bear only at yearly intervals or after many years of waiting. Variability in capital is often essential to its usefulness. Stocks of food in the pantry or money in the purse are expected to vary in order to fulfil their function. This function is to act as a balance wheel or buffer between irregular inflows and outflows, a function precisely like that of a "stand-pipe" in a water system. Other forms of capital are progressively increasing, as bicycles, telephones, steam yachts, while still others are diminishing, as hand looms, horses, heating stoves. Again, the share of capital owned by different individuals is in some cases accumulating, in others being dissipated. Income, therefore, whether of a particular article, of a particular individual, or of a community is not a perfectly uniform or even a rhythmical flow.

The expected income from a given article of capital may not always be equal to the interest upon it, but at times above and at times below this normal flow. In a certain sense it will average that normal amount. The "present value" of all excesses will equal that of all deficiencies.² Let us take any given stretch of time, such as five years, beginning January 1, 1898. An orange grove is at this date worth £1,000. Assuming crops to correspond to expectations, we may suppose them to amount in the successive years to £0, £10, £15, £30, £40. But the grove entails the "undesirable events" of pruning, manuring, protection from frost, &c. These disservices amount in the successive years to £20, £20, £15, £10, £10, so that the net income from the grove is - £20,

¹ Hadley, *Economics*, p. 5. See also Report of Committee on a "Common measure of value in direct taxation," *Report Brit. Assoc. Adv. Sci.* for 1878.

² The "average" thus determined is, of course, not the "arithmetical" one.

—£10, £0, £20, £30. Such an income is much less than 5 per cent (which we assume as the rate of interest) on the £1,000. It is equivalent only to $\frac{1}{4}$ per cent. or £2·7 a year during the five years. But this deficiency in the income below the normal 5 per cent points to a corresponding excess later on. The grove, in fact, has only just begun to bear. As the period of large crops draws near, their present value increases, that is, the value of the grove rises. At the end of the five years it is worth £1,265. Now, this being the present value in 1903 of all income subsequent to that date, its own present value reckoned five years earlier (viz., £988) is the present value in 1898 of all income subsequent to 1903. In fact, adding this £988 to the present value (£12) of the income for 1898–1903, we obtain the original £1,000. Moreover, and this is the point to be emphasised here, the £1,265 may be separated into two parts. One of these, £1,000, is the original capital value. The other, £265, or surplus of capital above normal is an exact compensation with interest for the deficiency of income below normal during the interim of five years. This deficiency, or difference between the irregular income above specified and a steady £50 is the series: £70, £60, £50, £30, £20. These sums accumulated at 5 per cent. interest amount to the £265 at the close of the five year period. They are a “sinking fund.” The result is perfectly general. Taking the value of a piece of capital at any instant as normal capital, and the interest on it as normal income, then the deviation from the normal income during any period is precisely balanced with interest by the opposite deviation from normal of the capital value at the close of that period.¹ Having regard to the normal type, the investor who buys the orange grove for £1,000 regards himself as making in the five years, besides the small income, —£20, —£10, £0, £20, £30, an increase of capital value of £265. This last sum he locates *at the end* of the period, not distributed through it. He thinks of himself as in the same position as if, besides the five years income just detailed, he had obtained at the close of these years a crop additional to the £30 of £265 and still had left a grove worth £1,000. He may even go so far as to refer to the £265 as a *part of his income* during the five years. This is done by Mr. Cannan.²

But this “part of income” is a fiction. It is not true income already received but the present value of income to be received hereafter. If this latter income is to be counted, its present

¹ This includes as a special case the famous theorem of Böhm-Bawerk, that articles undergoing production increase in value by more than the cost of production (disservices).

² *Elementary Political Economy*, p. 59; *ECONOMIC JOURNAL*, June, 1897, p. 284.

value must not be counted also. The buyer of the grove, when he has discounted all its probable crops and expenses, does not discount in addition its prospective ups and downs of value. The true income from the grove is that which is discounted in its value. To include the rise of value of the grove between 1898 and 1903 and afterwards count the income which that rise represents, which seems to be in Mr. Cannan's thought, would be to count the same thing twice, to eat your cake and have it too. If, beginning with 1903 the property should yield or be expected to yield £63 annually in perpetuity, *i.e.*, 5 per cent. on the value (£1,265) in 1903, the true income, beginning in 1898 is the series : —£20, —£10, £0, £20, £30, £63, and £63 thereafter for ever. The present value of this series is £1,000 as it should be, but if the rise in value in the first five years be included besides, the present value will be much greater. To tax the owner both on the rise in value and the subsequent income would be double taxation, and would bear more heavily on property returns which lie in the remote future than on property which yields its income more regularly.¹

The inclusion of a rise in value of capital as a part of its income is simply a method of translating the actual irregular income into the equivalent regular or normal income. Were it customary to employ some other type of income than the perpetual annuity as a norm, the method would be modified. Thus, if a five years uniform income be adopted as that norm, the business man would be found reckoning, besides true income for 1898–1903, the whole of £1,265 left over in 1903, instead of only £265 as in the computation previously supposed.

But often articles of wealth serve simply to increase the value of other wealth. Do we not by including their services as income virtually include an increase of capital value as income? No. Here is a house half built. The services of carpenters machinery and building materials which complete it are income.

¹ The only way to justify taxation on the rise in value of the grove is to keep the assessment at £1,000 uniformly instead of raising it when the property increases in value. In this way the fiction of a uniform income of £50 is set up to be taxed. The tax would then cease to be a true income tax. It would be assessed on an assumed regular income equivalent to the actual irregular one, or, what amounts to the same thing, it would be taxing in the first five years not simply income but capital as it accumulated and then exempting the income of those accumulations, a procedure which might be carried a step further by taxing the grove in 1898 once for all on £1,000 and exempting its income for ever after. Exemption must be made either on capital or income. There is therefore more justification than economists have usually admitted of the business man's instinct to exempt from taxation unused land rising in value.

But whatever is thus credited to income from the source—carpenters, &c., is also *debited* to income from the source—house. No business man would value a half built house as the whole discounted value of its services when completed. He would subtract from this the discounted cost of completing it just as he would debit the orange grove with the value of the disservices of manuring, pruning, &c.

When an article in course of production passes through various stages, it is often a matter of indifference whether or not we give it different names in its different stages. It is worth while to observe that whichever course is adopted the results are the same in the theory. A “sapling” grows into a “tree,” the ultimate use of which is to make lumber. If we consider the tree as a single category, no matter what its stage of growth, we should say that no service was rendered until the lumbering began, simple increase of value not being a service. If, on the other hand, we separate the categories “sapling” and “tree” we would say that the sapling really performs a service at that moment when it disappears to form a “tree” just as truly as the tree performs one when it turns into lumber. But the instant the two categories are distinguished, we have to debit the “tree” with the cost of the sapling just as we debited the house with the cost of completion, or, if not begun, of erection. The debit to the tree cancelling the credit to the sapling, the owner of the forest is found to be no richer by this computation than by that in which the single name “trees” was used. It is as if he were drawing a stipend from one bank and depositing it in another. He could truly say that one of the banks was paying him an income, albeit from the two together he was receiving nothing, only accumulating.

The theory of income whose bare outlines are here presented was suggested by the pregnant remarks of Walras¹ and particularly of Cannan² of whose theory, in fact, mine should be regarded as a version. I have read into it, however, not only some things which were left unsaid, but others which were expressly denied.³ Mr. Cannan’s statement is:

¹ *Elements d’Économie politique pure*, p. 197 ff. and 261 ff.

² *Elementary Political Economy*, pp. 6, 39, 57; *ECONOMIC JOURNAL*, June, 1897, 278 (also vol. vi., p. 441).

³ My objections to including increase of capital as income have already been stated. I have also tried to show that we cannot imagine “Smith who has much property and little income and Brown who had a large income and little property” (*ECONOMIC JOURNAL*, vol. vii., p. 281). Capital value, being simply capitalised income, Smith must have a large income if he has a large property, and Brown *vice versa*. At any rate, the contrary can only be justified by including (as

"The income of 'the community' or the world for a given period consists of the material satisfactions enjoyed *plus* the net additions made during the period to its capital."¹

There is not space here to discuss the theory in greater detail, nor to apply it to economic problems. A full treatment would take account of the various standards in which income is or may be expressed, of the case in which the rates of interest at different dates and for different periods does not remain constant, of the fact that the services of capital which are discounted in its value are only *expected* services, not those which actually materialise, and of the consequent discrepancy between income anticipated and income realised, of the propriety or impropriety of including man himself as a species of income-bearing capital,² and so on.

Applications of the theory are to be found in the problem of distribution—wages, rent, &c.—which is a question of the reward of the various "factors of production," *i.e.*, the income of different classes of capital,³ in the theory of taxation, &c. We should also

Mr. Cannan does) human services in income but not including the human beings which perform them in capital. Capital and income are regarded in the present article as different modes of measuring wealth, not as "two wealths." Again Mr. Cannan's phrase "material satisfactions enjoyed" is here translated *services* (positive and negative) of wealth, and this enables us to apportion to each sort of capital its proper quota of income, and to arrive at the aggregate income not only through the "individual" method (*i.e.*, summing the incomes of all individuals), but also through the "social" method (summing the incomes flowing from each kind of wealth). Mr. Cannan admits only the first method, thinking that the second leads to a wrong total.

I retract, however, my criticism on Mr. Cannan's use of the word income, to which he replied in the June number of this Journal (pp. 283-4). In the present article I have employed the term in his sense and restricted myself to "flow" as the more general correlate of capital.

¹ ECONOMIC JOURNAL, vol. vi., p. 441.

² If man be included, his capital value is to be taken simply as the income he earns capitalised or discounted. The net income of a labouring man is not his wages but his wages less what he would give to be relieved of painful exertion. We see a practical example of such a measure when a man is offered a pension to stop work. Voluntary retirement on condition of two-thirds pay means that exertion was a disservice in the production of earnings equivalent to one-third of their gross amount, and should be deducted to obtain the true net income. This deduction rather than that employed by the Committee of the British Association (*loc. cit.*) seems to be appropriate to obtain the taxable income of working men. (Cf. Edgeworth, *Palgrave's Dictionary*, "Income.") No *additional* exemption for deterioration of value, as proposed by the Committee, should be made unless indeed the man's income is to be taxed in perpetuity, *i.e.*, after it had ceased and the man is dead! (See the similar error of Hardy, *Journal of the Institute of Actuaries*, 1853, p. 195.)

This method of accounting not only makes incomes from labour comparable with the effortless incomes from property, but makes them comparable with each other. It makes equal the net incomes in different occupations of different degrees of irksomeness but equally accessible to the same class of labourers.

³ This application is made in effect in the theory of distribution of Walras, Wicksteed, and Pareto.

have occasion to point out the limitations to be observed in applying capital value and income as measures of economic well-being,¹ to emphasise more than has been done, the importance of the rate of interest² in economics and the incompleteness of the usual theory of marginal utility and economic equilibrium.³

In fact applications of the relations between capital and income, and between stock and flow in general, crowd upon each other. They open up the vast and almost unexplored problems of *time* in economics. My purpose in this article is not so much to solve these problems as to present them, not to work out a complete theory of capital, but to show the rôle of capital in that theory. This is my apology for touching so lightly on so many profound problems. I do not pretend to have enumerated completely the subjects to which the conception of capital applies, much less to have exhausted their discussion. I am addressing myself to those who have thought on these problems, and who will contribute to their solution. My earnest wish is that they give serious consideration to the tool which is ready to their hand.

My object, however, has been quite as much negative as positive. Economy of effort requires that we should give up certain paths when they are shown to be blind alleys. I have, therefore, been anxious to bring conviction, not simply that the conception of stock of wealth is a useful one, but that its use lies precisely in solving those questions which have always been known as

¹ Pareto, *Cours d'Économie politique*, vol. ii., p. 264; Cannan, *Elementary Political Economy*, p. 80.

² *Prices*, for instance, always involve interest—not simply prices of “securities” and land (the value of which has long been recognised as varying directly with rent and inversely with the rate of interest)—but of ships, pavements, chairs, or overcoats. A change of the rate of interest works changes in prices of all articles, not *equal* changes but changes depending on the duration and distribution in time of the services it renders as well as on the value of these services when rendered. The shifting of prices thus caused may be partially pictured by examining in investors' bond tables the comparative effects of a change of the rate of interest realised on the prices of different sorts of securities.

³ Ideal equilibrium implies constancy of capital of all kinds and owners and constancy of flows of all three sorts. But other applications of the term are important. Thus social capital may be in equilibrium while individual capital is being saved or squandered, and usually this is approximately the case, just as a confined gas is usually in equilibrium though its molecules are not, or just as a swarm of bees may be motionless though the individual bees are moving rapidly. Adam Smith has justly been criticised (by Rae, Lauderdale, Robertson, and Mummery and Hobson) for recommending “saving” to society as he would to an individual. After a devastating war such advice may be justified, though it is then unnecessary, as has been often observed with wonder. In normal times no one would think seriously of recommending to a nation or the world the indefinite accumulation of food, ships, locomotives and other stocks of wealth. Only the vagueness of ideas of capital has permitted the picture of national “saving” on an considerable scale.

“problems of *capital*,” in especial problems of saving, of interest, of income. This is why I have chosen to use the word capital rather than stock, its synonym, and why, too, I tried in former articles to show that this idea of capital is deeply rooted in history, in popular and business usage, and, strange as it may seem, in the minds of economists themselves. Even Adam Smith, the father of errors of capital, could not refrain at times from such expressions as “By not confining his expenses within his income, he [the prodigal] encroaches on his capital.”¹ Whether economists keep the *word* capital is of small consequence. But that they should give up trying to solve the “problems of capital” by classifying wealth, seems to me imperative

IRVING FISHER

¹ *Wealth of Nations*, Book II., chapter iii.

INAUGURAL ADDRESS TO THE SCOTTISH SOCIETY
OF ECONOMISTS, NOVEMBER 9TH, 1897.

It would manifestly be improper to give an inaugural address to any Scottish society without introducing a little metaphysics and a little Latin. Accordingly I will give you a little of both, but I will be very brief even though I become obscure.

When the celebrated philosopher Descartes began to compose his discourse on method, the conviction was gradually but irresistibly forced on his mind that most, if not all, of his beliefs were, on analysis, open to doubt. The senses led into error—so also the reason and judgment. Accordingly he set himself to discover, if possible, some one belief about which doubt was impossible, and the result was the famous *cogito, ergo sum*; everything else might be made to appear uncertain and fantastical, and the whole fabric of knowledge might fade away into doubt, but this one solid fact remained, namely, the consciousness of existence. Even to doubt was to think, and to think was to exist.

Well, to put the finishing word to the metaphysics and the Latin, we have to-night reached the bed-rock of the Cartesian philosophy. After much doubt and trepidation as to what our existence would involve, we have had the courage to come into existence. At present we have got no further—we exist and barely.

It is, I conceive, my duty to-night simply to clothe this fundamental substance of existence with the appropriate attributes—it is my duty to express the opinion of the founders of this Society on its intended functions—and if I fail in any part you will no doubt express your dissent in the usual way.

The transition from the metaphysics and the Latin is now easy, because after this introduction I can, if I choose, lay before you the written—and what is more in the way of fact—the printed constitution of our Society.

I do not, however, propose to read over the eleven sections—

one of which I am glad to say we have already been human enough to break, and you I am sure will be divine enough to forgive—viz., the election of some distinguished honorary vice-presidents—all I shall try to do is to make a little more explicit and definite the real aims and objects of our Society.

In the first place, then, this Society of ours is a scientific association of economists—we are not on the one hand ideal moralists, nor on the other practical politicians—we do not profess any definite creed, orthodox or unorthodox—still less do we intend to promote any particular set of practical reforms. Our primary object is the study and advancement of science—economic, financial, and statistical—and so long as we all of us take “science” as our watch-word, we shall, I venture to think and to hope, avoid those causes of decay or degeneration to which such a society is naturally exposed.

Relying on the scientific character of our association we do not need to cramp its activity by laying down rigid definitions and boundaries. We do not exclude questions from our discussions because they happen to be exciting popular attention or even to form part of practical politics. On the contrary, it is those questions which are in many respects most stimulating and suggestive, and the treatment of which is most likely to lead to the advancement of science. The imposition of a new tax, for example, obviously forms the best opportunity for an examination of the principles (if any) on which it is based, and an agitation for the reform of any set of laws, *e.g.*, laws affecting land, or joint-stock companies, or chartered companies, or compensation for accidents, or usury—any such agitation always brings to light a crop of ideas and suggestions and of statements of fact (and the reverse) which are the best subjects possible for scientific investigation. The accepted and traditional solutions of various problems are often upset—and still more often appear to be upset—by popular clamour, and a re-examination becomes necessary. And we need have no fear of entering into any of those so-called practical burning questions if we only preserve a *strictly scientific and judicial* attitude. As scientific economists we shall always be prepared to admit that all practical questions are of necessity complex, and at the utmost political economy can only contribute some part of the solution. Take, for example, the problem of poor relief. On this topic alone there is a vast economic literature, and illustrations are to be found in the industrial history of every period and every society. There can be no doubt that it is desirable to throw the light of this literature and this history on

present-day proposals. We may discover that some of them, to judge by experience, would lead to consequences little dreamt of by their promoters. But though the dry light of economics may be applied with advantage, there are also, we fully admit, other lights and other aspects in which the poor must be regarded: the light of religion, of charity, and of humanity.

But observe carefully that when we admit that in most practical questions other elements besides the purely economic must be considered, we do not admit that there is some necessary and ever-present contradiction between the economic and the other elements of national well-being. On the contrary, we hold—I make bold to speak in the name of economists generally—that the economic and the moral prosperity of a nation are in the main linked together. We do sometimes find cases where wealth accumulates and men decay—but the accumulation soon receives a check, for the foundation of all wealth is labour in the broadest sense of the term—labour, that is to say, not merely of the hands but of the highest spiritual and intellectual nature of mankind—and if men decay their productive powers must decay also. If the working men of this country were to lose their physical energy through dissipation, if our merchants were to conduct their business on the methods of pick-pockets, if our manufacturers were to sink into sloth and idleness, then a speedy and a long farewell to our wealth.

There is, in truth, no such opposition as is sometimes alleged between common-sense morality and political economy. First of all let us regard the subject in the most comprehensive way, and consider the form in which society presents itself to the economist. He observes an intricate and complex organisation of industry producing all the varieties of commodities and distributing them over the face of the country. He sees that the annual consumption of a common labourer involves thousands of different employments in different parts of the world. He sees the produce of the country transported to the towns, and the manufactures of the towns conveyed to the country. He observes that the great mass of these exchanges is effected without the intervention of money, that the whole system rests on a highly developed mechanism of credit. And apart from general laws which guarantee security and enforce contracts such as are necessary in every society, he discovers that this marvellous adaptation of production to consumption is independent of the action of governments, and rests entirely on the voluntary agreements of individuals. Now, is such a view of society calculated

to make him regard the individuals composing it as destitute of all the virtues and animated by the deepest hatred of one another, or is it not rather suggestive of the thought that mutual confidence, truth, and honesty must be the prevailing characteristics? No doubt in competition there is a conflict of interests, but the result of this conflict is not a series of mutual injuries founded on reprisals, but a series of mutual benefits founded on contracts; and it ought to require no very deep insight to discover that a social order that depends almost entirely on freedom of contract, implies a much higher degree of moral development than is to be found in a society only held together by obedience to law and authority. The increasing complexity of industrial relations has called for the display of new governmental functions, and people are so much struck with these new powers of the State that they are apt to overlook the fact that, looking at industry as a whole, the sphere of contract becomes every year more than proportionately enlarged. Legislation which appears at first sight to diminish freedom of contract, on closer inspection is often found to give it increased facilities.

Take an example which is not obscured by political passion: the series of Acts regulating the formation of joint-stock companies, which at first sight seem to impose restraints upon the enterprise of individuals; they are really found on examination to afford facilities for such enterprise, as is shown by the creation of companies for all sorts of purposes. I will ask you to listen for a moment to the testimony of a very weighty authority, Sir H. Maine, on the comparative morality of the ancient societies under the *régime* of law and custom and the modern societies under that of competition and contract. "Legislation," he writes, "has nearly confessed its inability to keep pace with the activity of man in discovery, in invention, and in the manipulation of accumulated wealth; and the law even of the least advanced communities tends more and more to become a mere surface stream, having under it an ever-changing assemblage of contractual rules with which it rarely interferes, except to compel compliance with a few fundamental principles, or unless it be called on to punish the violation of good faith. Social inquiries, so far as they depend on the consideration of legal phenomena, are in so backward a condition that we need not be surprised at not finding these truths recognised in the commonplaces which pass current concerning the progress of society. These commonplaces answer much more to our prejudices than to our convictions. The strong disinclination of most men to regard morality as advancing, seems to be especially

powerful when the virtues on which contract depends are in question ; and many of us have an almost instinctive reluctance to admitting that good faith and trust in our fellows are more widely diffused than of old, or that there is anything in contemporary manners which parallels the loyalty of the antique world. From time to time these prepossessions are greatly strengthened by the spectacle of frauds unheard of before the period at which they were observed, and astonishing from their complication as well as shocking from their immorality. But the very character of these frauds shows clearly that before they became possible the moral obligations of which they are the breach must have been more than proportionately developed. It is the confidence reposed and deserved by the many which affords facilities for the bad faith of the few, so that if colossal examples of dishonesty occur, there is no surer conclusion than that scrupulous honesty is displayed in the average of the transactions, which in the particular case have supplied the delinquent with his opportunity." The passage which I have just quoted is written with the express object of showing that the more a society comes under the sway of economic principles, such as competition and freedom of contract, so much the greater, on the whole, must be the development of morality.

I have looked at the relation of political economy to common-sense morality only in its most general aspect ; but if we examine economic principles in detail we find no such conflict with moral duties as is generally supposed. Self-interest is not identical with selfishness or hatred of one's neighbour ; it implies equally foresight, perseverance, energy, enterprise, and self-reliance, and it is to the man who possesses these qualities, and not to the man who is simply greedy, that the economist says much will be given. This position has been admirably enforced by Newmarch, one of the most eminent economists of this century, although, as he worked chiefly at statistics, his name never became popular. He is speaking of the ideal of a maximum gross produce, and he says : "What does the fact of the largest gross produce imply ? It implies great intelligence working under fitting control, industry, enterprise, self-reliance, frugality, temperance, perfect freedom of action and of contracts, cheap and speedy justice, respect for the wise, and honour for the courageous and upright ; in a word, the best and fittest men in the best and fittest places, animated by the consciousness that to every worker will fall the reward due to his merits." Surely in this ideal there is nothing to conflict with the dictates of the highest morality. And if political

economy is not in conflict with common-sense morality, neither is it in conflict with Christianity—I will not say with true Christianity, but with those broad principles of Christianity which are admitted in all creeds. In the mediæval church, as in other churches, many abuses sprang up and choked and strangled its original doctrines, but in their purity several of the most weighty of those doctrines referred to what we should term economic activities. Sloth was a deadly sin and the mother of a brood of sins; whilst on the other hand *laborare est orare*—you can pray with a plough-share—salvation not of the body but of the soul lies in work. And how many so-called professing Christians in the present day can get up to or get near to their profession, unless they throw their souls into their work—that is to say, into the ordinary business of their lives. Some of the moralists of to-day, in their treatment of labour questions, would do well to look back to the mediæval ideal. They would discover that many of the noblest and most sympathetic of men—men who showed their sympathy not in writing but in life-long action—looked upon labour as an element of duty and spiritual well-being; they did not regard it as degrading in itself or subversive of the higher morality, but rather as a healthy foundation of the spiritual life.

I must not, however, pursue further what is after all only a digression from the main argument. My purpose was to show that as scientific economists we leave the determination of moral ideals and the elements of duty to the moral philosophers; but I may seem myself to have jumped over the fence and left the straight, hard road of economics for the green pastures of philosophy. But I have not gone so far as to make the return difficult. I laid it down—as voicing, I believe, your intentions—that as scientific economists we professed no creed, orthodox or unorthodox. All that I have attempted to do in this digression is to clear away some of the prejudice which still clings to the very name of economist. I have tried to show that the study of economics or the contemplation of the harmonies and the disturbances of the industrial world, does not cramp but rather widens the moral nature, and that the industrial world is itself pervaded by moral forces. But still the fact remains that we, as economists, must leave to others many vexed questions which lie even at the very foundations of morality. And it seems to me that both economics and morals gain by the logical separation—just as even in the management of charities and public institutions, however lofty their aims and noble their sentiments, it is always well to keep the accounts on strictly business

principles. And I may say also that it is better for the morals or the religion, as the case may be, that the business element should be kept subordinate to the primary object. Whenever a religion comes to be managed only on business principles, that is to say, for the pecuniary benefit of the managers, its spiritual vitality dies away.

But this leads me to remind you that if economists admit that to the solution of most practical problems they can only contribute a part, they also claim that there are very few practical problems in which the economic element is not of importance. The destruction of war and the relief of charity, and the endless number of human activities that lie between these two extremes, as, for example, the administration of justice, all require money for their fulfilment, and as soon as you introduce money you introduce economic considerations. One of the great merits of Adam Smith, in which he is not approached by any of his successors, is the broad and fearless manner in which he applies his principles, not simply to the production of material wealth, but to the production of the vastly more important forms of immaterial wealth. He discusses the advantages and disadvantages of endowments both for secular and religious purposes; he treats of the education and of the amusements of people of all ages; he compares the efficiency of different systems of defence, and under the title of the expense of justice he lays down the basis of the administration of law. To take a particular instance, Adam Smith treats of the commercial value of medical degrees, and shows that it is not only in the mercantile classes that monopoly may take the place of competition.

Well then, I trust that we, as members of this Society, shall make bold to follow our great master, and to apply our reasoning and our political arithmetic to all kinds of social problems so far as they include economic elements. And as I said, we shall be perfectly sure of avoiding any ill-feeling, any appearance of dogmatism and self-sufficiency, if we always aim at preserving a strictly scientific attitude.

We have taken, I may remind you, at any rate, one very practical precaution for the achievement of this object. We have laid it down in our rules that no vote is to be taken on any matter of debate. We know by experience that those who keenly advocate certain reforms are always glad to get support, and the most visible and quotable form of support is the vote of some meeting or society. My friends the bimetallists are great

adepts in this art of the extraction of opinion, and equally so are my opponents, the socialists. We are quite prepared to discuss the currency and to discuss socialism, but we are not prepared to say that we, as a society, support any definite scheme. We do not wish to found a school or to perpetuate certain forms of doctrine; on the contrary, we invite cordially the expression of different views. And by avoiding any attempt to enforce our opinions—even if they happen to be unanimous—we shall avoid the greatest danger by which our very existence is threatened. Let me support my contention by a quotation from a writer who was as ardent a lover of liberty as Adam Smith himself, I mean Turgot. “It is the sectarian spirit,” he says, “which raises against useful truths, enemies and persecutions. When an isolated person modestly proposes what he believes to be the truth, he is believed in if he is right, and forgotten if he is wrong. But when even learned men have once formed themselves into a body, and say *we*, and think they can impose laws on public opinion, then public opinion revolts against them with justice, for it ought to receive laws from truth alone and not from any authority. Every society soon sees its badge worn by the stupid, the crack-brained and ignorant, proud in joining themselves to it to give themselves airs. These people are guilty of stupidities and absurdities, and then their excited opponents fail not to impute folly to all their colleagues.” Accordingly, although we cordially invite the crack-brained and ignorant to find relief at our discussions, we shall not offer them any formal assurance of our distinguished consideration in the pursuit of their particular nostrums.

It is always difficult to hit the golden mean, but if we err, let us err not on the side of authority but on the side of toleration. Let us admit that our most cherished opinions are open to question, and then with a light heart we can do battle with the most cherished opinions of others. Perhaps it may seem unnecessary at this time of day to emphasise the need for toleration in economics, but I have grave doubts if the spirit of toleration will ever altogether subdue the spirit of authority. Let me remind you of a curious incident. Adam Smith was a fellow of the Royal Society of Edinburgh, and on his death it fell to Dugald Stewart to read the obituary notice. Dugald Stewart, himself a philosopher of a world-wide reputation, has left it on record that he was compelled to abandon the idea of giving a long account of Smith’s opinions which he intended to have done, because at that period, he says, “it was not unusual, even among men of some talents and information, to confound

studiously the speculative doctrines of political economy with these discussions concerning the first principles of government, which happened, unfortunately, at that time to agitate the popular mind." (Rae's *Life of Adam Smith*, p. 292.)

Again, Lord Cockburn tells us that people's teeth had been so set on edge by the events in France at the period of the Revolution, that when Stewart first began to give a course of lectures in the University on "Political Economy," in the winter of 1801, the mere term political economy made them start.

But we may take other examples from the present day of this failure to distinguish between the expression of speculative opinions and the preaching of popular or unpopular creeds. One of the ablest economists in the United States was recently compelled to resign his chair and the presidency of his college owing to his views on the silver question. A distinguished Italian economist is said to have been forced to leave his chair and the country on account of his comments on the policy of Italy in Abyssinia. And only the other day we read that Berlin was in a ferment because a professor had been appointed with socialistic leanings. And even in this country a case occurred quite recently in which, for an academic appointment, the opinions of the candidates on the practical policy of bimetallism were taken into consideration, and authorities had to be produced to show that a man might be a good economist and yet not a mono-metallist.

I trust that if this Society has the good fortune to flourish for a century, our successors will never forget that it was founded in the spirit of John Locke, Adam Smith, and J. S. Mill—and, indeed, the whole array of British philosophers—the spirit, namely, of perfect toleration in the expression of opinion.

At the same time, however, we must endeavour to keep the distinction between liberty and licence, and above all we must try to avoid that false kind of originality which is only an expression of ignorance. "He that would write a book," says one of our most conscientious and laborious historians, "(a book) useful to the people, shall be duly apprised of the state of that part of learning to which his subject relates,"—and what is true of a book ought to be true of any paper or booklet. Let those who think they have discovered, unaided by the researches of others, some truly original idea in economics—let them calculate the probability that their discovery has not been anticipated. The recorded discussions of economic problems began with Plato and Aristotle, and the actual discussion began as soon as men could speak. The cave dwellers and the dwellers in lake villages had their problems of production and distribution—no doubt

talked about them, and I have no doubt some of them expressed, though not in the lofty language now popular, the first approximations to the ideas of the uncultured socialists. And the chances are not only that those supposed original opinions or ideas have already been discovered—possibly a thousand times over—but also that some government or body of enthusiasts has already tried to put them in practice.

Well, then, if we do not wish simply to winnow chaff, let us take the simple precaution of looking up our economic literature.

To make a really original discovery, even of a single idea, is a most difficult task, and to invent a new system for the distribution of wealth which shall take the place of the actual system is a multiplicity of difficult tasks. We all know how hard it is to carry the simplest and most reasonable reform, even if that reform is acknowledged by all to be most expedient. Accordingly in this, as in other matters, let us follow our master, Adam Smith. He expressed the greatest respect for the doctrines of Quesnay and the Physiocrats, but although in entire sympathy with them he gave them only a single chapter in his great work; and the reason was that their opinions were only of speculative interest. Now I take it that although we emphasise the scientific character of our Society, we do not intend to confuse science with imagination. We wish to take up practical problems in a scientific spirit—we do not wish to discuss purely imaginary schemes.

And now with one more reflection I will conclude this parade of good intentions. Some of us—let me say the older members—may be a little alarmed at this profession of absolute toleration. Some of us may be afraid that we shall become a very hot-bed of revolutionary opinions, and that the seething of our enthusiasm will make Dugald Stewart uncomfortable in his grave. But we have taken a very wise precaution. The term economic science may cover a multitude of enthusiasms, but we have tempered it by the addition of financial and statistical. I confess that when the proposal was made to add to the wide term economic the lesser terms financial and statistical, I was reminded of the philosopher who made a large door for the cat and a small one for the kitten. But on reflection I think the addition is prudent. No one can think of finance or statistics without being impressed with the serious side of economics; it is all very well to say that we have lies, damned lies and statistics, but to tell a really good lie—not to say a damned lie—or, to put it technically, to make such an economy of truth as shall impose on the hearer—requires most serious reflection and most considerate discretion. Again,

take the term finance—it is a word to make us all shudder. I had recently sent to me by the Secretary of the latest Royal Commission on Local Taxation a series of questions for my opinion—all of them questions of the highest practical importance—and I thought to myself if I did them justice I might perhaps in the rest of my natural life answer 10 per cent. of them. Believe me, the oldest and the driest of us need have no fear if we temper our economics with figures and finance. And I may say that it has been agreed on by the Council that an effort shall be made to distribute our work so as to cover the whole range of economic research; we shall try, for example, to balance a paper on socialism by a paper on national debts, and a paper on the nationalisation of land by a paper on agricultural depression. On the whole I think the modern representatives of Dugald Stewart will have nothing to fear.

But on the other side, the younger of you may be a little disappointed with this cold-blooded scientific programme. Every young man is impatient; he rushes at practical reforms as naturally as a baby kicks and squalls. If any of you feel this kind of disappointment with my frigid presentment, or my distinction between science and practice, let me encourage you by a little story. It is not new—indeed it appeared in an old *Punch*—but the application if not new is, I think, appropriate. A little boy, with a very superior air, condoles with a little girl because girls cannot propose, but must wait to be asked. But the girl rejoins, “Oh, I don’t know, we can always give a sort of hint.” “What do you mean by a sort of hint?” “We can say, ‘Oh, I do love you so much.’” Well, I recommend this idea to our younger scientific enthusiasts. If they discover that Parliament or the town council is going to do something foolish, they must not indeed in this Society—like the ordinary practical man—give vent to abuse or bad language, but they can always give a sort of hint; they can always say, “I do love you so much.” And the more scientific the form, so much the more readily will the hint be taken. Of one thing you may be absolutely certain, in these days of books and papers and societies an idea once put in words is never lost. The difficulty is to get the idea. If any one can discover, for example, a new form of taxation, he may be quite sure the Chancellor of the Exchequer will hear of it.

I shall now gratify you by making an example of myself by way of illustration. The illustration will serve either to show that I have made a re-discovery of an old idea, or that the Chancellor of the Exchequer will hear of the idea—if he has not

done so before and put it in practice. I venture to suggest to the Chancellor of the Exchequer that he should put in practice the laws of continuity and the rules of decimal arithmetic. At present our taxes, both income tax and death duties, proceed by leaps and bounds. If your income is less than £160 you pay nothing, if it is between £160 and £400 you deduct £160, if it is between £400 and £500 you deduct £100, but if you have the misfortune to earn more than £500 a year, you pay on the whole amount. The consequence is that an undue strain is placed on the consciences of the tax-payers who are any way near these limits ; it is exactly like the forty years of the maiden ladies of the census—above or below forty, or four hundred, that is the question. And on the whole, so weak are the consciences, that the Exchequer suffers by abatement just as the average age of the population. Now what I propose is this : that we should have elastic limits—that we should not proceed by jumps, but by gradations. The Exchequer would certainly gain, and those unfortunate tax-payers who just come, in spite of their consciences, beyond the limit of abatement, would rejoice to know that the more elastic consciences with the £5 lesser incomes would pay in proportion. The same argument would apply to the death duties, but that is a lugubrious subject, and there at any rate we can resort to gifts *inter vivos* ; and as I have often said, the first principle in taxation is that every tax that can be evaded ought to be evaded. I have no doubt my proposal is not new—I do not think any proposal on taxes can be new—but if it has not been carried out it is probably owing to the fact that it would have involved a disturbance of vested interests in the shape of compelling mutinous officials to learn the use of decimals.

And now it is high time to leave the particular for the general, to put if possible our views and intentions in the form of a profession. And failing a better one, subject to amendment, I venture to put our profession in this form. We believe that the world of ideas is still full of economic errors, we shall try little by little to reform some of them ; we believe that the world of facts is still full of economic evils, we shall try little by little to propose some remedies ; but come what may, until we perish, we shall try to keep alive the spirit of liberty, and shall submit to no authority either of the dead or of the living. The greatest industrial invention the world ever saw was the abolition of slavery, and the greatest intellectual triumph the spirit of mankind ever felt was the assertion of absolute freedom of opinion.

J. S. NICHOLSON

THE PURE THEORY OF TAXATION

III.

THE character of pure theory, deduction from received first principles, attaches not only to the incidence of taxes, which has been considered in the former articles, but also—in a minor degree, doubtless—to the distribution of the fiscal burden among the taxpayers, which is to be considered in the present article. There is at least one aspect of this subject which may present sufficient length of reasoning and strength of premises to deserve the title “pure.” The view thus distinguished is that according to which the sacrifice felt by the taxpayer is a dominant factor in the apportionment of the fiscal burden, the hedonistic, or in a special sense utilitarian, principle of taxation, as it may be called. Some other principle may be held—for instance, that of “ability,” or “faculty,” in a more objective sense,¹ but can hardly be held to belong to the domain of pure theory.

The purest, as being the most deductive form of utilitarianism, is that from which Bentham reasoned down to equality.² There are those who regard this form as also purest, in that its first principle is the most apt to be universally accepted. That principle proposes as the end of action, or criterion of conduct, the greatest sum-total of happiness; the intensification of pleasure, its prolongation and distribution among increased

¹ These terms are often applied to the principle of subjective sacrifice. Cf. Cohen-Stuart, *Bijdrage tot de Theorie der Progressieve inkomstenbelasting*, ch. 1. The connection between the two meanings is very happily explained by Professor Seligman, *Progressive Taxation*, p. 191. Bentham inveighs with characteristic vehemence against the ambiguity of the term “faculties” in the French Revolutionary Declaration of Rights (*Works*, vol. ii., p. 518).

² “Propositions of Pathology upon which the Advantage of Equality is Founded,” *Principles of the Civil Code*, Part I., ch. vi. (*Works*, vol. i., p. 304); *Constitutional Code*, Book I., ch. iii., sec. v. (*Works*, vol. ix., pp. 14–18), *et passim*. J. S. Mill's doctrine of equality is not so clear (*Utilitarianism*, p. 93). Fitzjames Stephen complains of its obscurity with some reason (*Liberty, Equality, and Fraternity*, ch. v.).

numbers being approved only when they conduce to that end. The conception has been formulated mathematically by the present writer.¹ In extending the summation of pleasure, according to the formula, over all time and all sentience, it is to be considered that, just as egoism is never so perfect but that distance in time renders pleasure less attractive, so utilitarianism is never so perfect but that persons whose interests are widely separate will not each "count for one" to the other.²

This remark may seem particularly appropriate to the adoption of utilitarianism as the rule of political action. The average citizen cannot be expected to care much for the interests of the foreigner, perhaps not very much for the interests of fellow-citizens outside his own class, nor at all for a remote posterity.

The proof of utilitarianism as the principle of political action has been variously conceived. The same speculative height is reached by different paths.³ There is an approach on the economic side which it may be allowable to point out here. Let it be granted that there is a certain analogy between political and industrial co-operation or concerted action—an analogy admitted by many high authorities with respect to the fiscal action of the State.⁴ We must not regard as an essential feature of the analogy the circumstance that in economic bargains there generally prevails a rate of exchange corresponding to final utility. That circumstance is brought about by competition, which does not exist in the case of the political contract. It is therefore improper, with Lord Auckland, to call income-tax "a fair price for protection," to ask with Thiers, "What is society if not a stock company in which every one has more or fewer shares?"⁵ This is the fundamental fallacy of the "*quid pro quo* principle" or "benefit theory," which is justly rejected by J. S. Mill,⁷ Professor Seligman, and other high authorities. The

¹ *Mathematical Psychics*, p. 57, *et seq.* On the pleonastic words "of the greatest number" commonly suffixed to "greatest-happiness," see *ibid.*, p. 117, and *Cf.*, some good remarks by Professor Montague at p. 34, of his preface to Bentham's *Fragment of Government*.

² *Ibid.*, Appendix IV., "On Imperfect Egoism."

³ There are some valuable reflections on Bentham's proof, or want of proof, in Professor Sidgwick's article on Bentham in the *Fortnightly Review* for 1877, vol. xxi., p. 647.

⁴ *E.g.* the well-conceived analogy between the State in its fiscal capacity and a co-operative institution in Professor De Viti's *Carattere Teorico dell' Economia Finanziaria*, p. 103, *et seq.* *Cf.* Professor Graziani, *Istituzioni*, lib. 3, cap. 4, and authorities there cited.

⁵ Quoted by Professor Seligman, *Progressive Taxation*, p. 96, in which context many similar references will be found.

⁷ *Pol. Econ.*, Book V., ch. 2, § 2, par. 2.

"economic" theory of taxation propounded by Professor Sax, his "conception of tax as a value-phenomenon,"¹ appears open to a similar objection. The truer analogy is with those economic bargains which are not governed by competition; for instance, an agreement between an employer or an association of employers and a trades union, or, as in the case of a "boundary" dispute, two trades unions. Is there any general principle governing such agreements?

The present writer has suggested, as the principle apt to be adopted by two [or, *mutatis mutandis*, more] self-interested parties contracting in the absence of competition, the greatest-happiness principle, slightly modified: that arrangement to be made which conduces to the greatest sum-total welfare of both parties, subject to the condition that neither should lose by the contract.² Of course each party would rather have his own way completely. But the action of self-interest being suspended by mutual opposition, the more delicate force of amity which even in economic men is not entirely wanting,³ may become felt. Moreover, each party may reflect that, in the long run of various cases, the maximum sum-total utility corresponds to the maximum individual utility. He cannot expect in the long run to obtain the larger share of the total welfare. But of all principles of distribution which would afford him now a greater, now a smaller proportion of the sum-total utility obtainable on each occasion, the principle that the collective utility should be on each occasion a maximum is most likely to afford the greatest utility in the long run to him individually.⁴ Thus the recommendation of utilitarianism to self-interested parties would not be—as Bentham's teaching has been said to be—like making ropes out of sand.⁵ *A fortiori*, the higher the degree of public spirit which is ascribed to the parties.

On these or other grounds assuming the greatest-happiness

¹ "Die Progressivsteuer," p. 87, *et seq.*, in the Austrian *Zeitschrift für Volkswirtschaft*, vol. i. Part I. Cf. *Grundlegung*, *passim*.

² *Op. cit.*, pp. 53–56.

³ Much evidence was given before the Labour Commission as to the beneficial effects of "closer acquaintanceship between the parties." (Group A, Q. 607. Cf. Q. 2,019, 15,072–3, &c.)

⁴ Thus it would appear reasonable that a foreman who is insolent to the workpeople, and not particularly serviceable to the employer, should be dismissed, if thereby the employer's profits are not sensibly diminished, while the workpeople gain considerably in freedom from annoyance; or, again, that workmen should consent, on terms not extravagant, to do a little extra work on an emergency, if thereby the employer is saved from considerable loss. But to illustrate fully the applicability of the principle would be out of place in this article.

⁵ Cf. Professor Sidgwick in *Fortnightly Review*, *loc. cit.*

principle to be the test of governmental action, at least with respect to taxation, let us proceed to apply the principle. The primary problem is to determine the distribution of those taxes which are applied to common purposes, the benefits whereof cannot be allocated to particular classes of citizens. The condition that the total net utility procured by taxation should be a maximum then reduces to the condition that the total disutility should be a minimum.¹ From the condition that the total disutility should be a minimum, it follows in general that the marginal disutility incurred by each taxpayer should be the same. But if the inequality of fortunes is considerable with respect to the specified amount of taxation, there will not be taxation enough to go round, so to speak. The solution of the problem is that the higher incomes should be cut down to a certain level. At the same time the fact that the general marginal condition is not perfectly satisfied, suggests the solution of a wider, a *secondary* problem, namely, to determine the distribution of taxation, not being limited to that amount of which the benefit is indiscriminate. The solution of this problem in the abstract is that the richer should be taxed for the benefit of the poorer up to the point at which complete equality of fortunes is attained. The *acme* of socialism is thus for a moment sighted; but it is immediately clouded over by doubts and reservations.

In this misty and precipitous region let us take Professor Sidgwick as our chief guide. He best has contemplated the crowning height of the utilitarian first principle, from which the steps of a sublime deduction lead to the high tableland of equality;² but he also discerns the enormous interposing chasms which deter practical wisdom from moving directly towards that ideal.

"In the first place it is conceivable that a greater equality in the distribution of produce would lead ultimately to a reduction in the total amount to be distributed in consequence of a general preference of leisure to the results of labour on the part of the classes whose shares of produce had increased."³

There is also the danger

"That the increase through equalisation of the incomes of the poorer classes will cause the population to increase at a more rapid rate than at present; so

¹ The authority of Bentham may be cited in favour of this theory of taxation:—

"It is therefore necessary that those who create wealth by their labour should give up a portion of it to supply the wants of the guardians of the State. . . .

"All government is only a tissue of sacrifices. The best government is that in which the value of those sacrifices is reduced to the smallest amount. (*Principles of the Civil Code*, Part I. ch. xiii., *Works*, vol. 1, p. 13, ed. 1859.)

"To take care that this pain of constraint and privation be reduced to the lowest term." (*View of a Complete Code of Laws*, ch. xxix., *Works*, vol. 3, p. 204.)

² *Principles of Political Economy*, Book III. ch. vii. § 1.

³ *Loc. cit.* § 2.

that ultimately the increment of an average worker's share will be partly spent in supporting a larger number of children, and partly reduced through the decrease in the efficiency of the more crowded labour."¹

It is remarkable that Mill should have apprehended the dangers of deficient production and excessive population less than the danger to liberty. The weighty sentence into which he condenses the substance of his teaching on liberty deserves to be repeated.

"It is yet to be ascertained whether the Communistic scheme would be consistent with that multiform development of human nature, those manifold unlikenesses, that diversity of tastes and talents, and variety of intellectual points of men which not only form a great part of the interest of human life, but in bringing intellects into stimulating collision and by presenting to each innumerable notions that he would not have conceived of himself, are the mainspring of mental and moral progression."²

Liberty is not the only one of the higher goods which is threatened by a dull equality: there is also the "function of maintaining and developing knowledge and culture," the performance of which function, as pointed out by Professor Sidgwick, has hitherto been largely due to "rich and leisured persons."³

The transition is easy to another reservation, which is in some sense more intrinsic than the preceding. The Benthamic argument that equality of means tends to maximum of happiness, presupposes a certain equality of natures: but if the capacity for happiness⁴ of different classes is different, the argument leads not to equal, but to unequal, distribution. The testimony of Professor Sidgwick that Bentham would probably have recognised this reservation⁵ carries a double weight of authority. The possibility corroborated by so high evidence is calculated to temper the more drastic applications of utilitarianism.

The preceding reservations relate to the pursuit of socialistic

¹ *Loc. cit.* § 2.

² *Political Economy*, Book II. § 3.

³ *Loc. cit.*

⁴ This terminology has been employed by the present writer (*Op. cit.*, p. 57, cp. pp. 64, 125) to designate differences both in the amount of means which different individuals may require in order to attain the threshold or zero-point of happiness, and in the amounts of utility which they may derive from the same additions of means above that point. Compare Professor Carver's weighty observations (*American Acad. of Polit. Sci.* 1895, p. 82) upon difference in *wants*—a term which may also refer to differences in the amount of means needed for efficiency.

⁵ Professor Sidgwick says: "I do not however think that Bentham intended to deny (1) that one person may be more capable of happiness than another, or (2) that, if so, the former's happiness is more important than the latter's, as an element of general happiness." *Elements of Politics*, p. 583, note 2. Cf. note 3 for a fuller statement of Professor Sidgwick's own view.

equality by any methods; the following relate more particularly to the pursuit of that end by means of taxation. A progressive tax rising to such a rate that it would not be the interest of the taxpayer to increase his fortune by saving or enterprise above a certain amount,¹ while improving the distribution, would check the augmentation of the community's wealth. There is, however, to be set off the probable increase of saving among the poorer classes.² Especially the investment of capital in persons by way of education might be increased.³ There would be an increase of production also so far as the proceeds of socialistic taxation are applied to render the poorer classes more efficient.⁴ But against this increase in the efficiency of the poor might have to be set some decrease in the efficiency of the not very rich.⁵

Again, there is the general presumption against governmental action, the special danger that taxation extended beyond its proper objects will be abused. The warning comes with less weight from those who are ready to employ taxation for a collateral purpose of which they themselves approve—the correction of intemperance.

In fine, the increase of taxation is limited by evasion.

These extensive, though briefly indicated, reservations reduce the *prima facie* revolutionary dictates of pure utilitarianism to the limits of common sense. The position thus defined is much the same as Mill's.⁶ "That the State should use the instrument of taxation as a means of mitigating the inequality of wealth" is not to be demanded when a "tax on industry and economy," a check to the growth of wealth, is thereby imposed.⁷ But the utilitarian will be as "desirous as any one that means should be taken to diminish those inequalities": such means as the limitation of inheritances and the taxation of unearned

¹ The condition which a progressive tax must fulfil in order not to have this effect, is clearly expressed by Professor Ulisse Gobbi in a recent tract to which the chaste use of mathematics lends a peculiar charm. (*Sul carattere razionale dell'imposta progressiva*, § 3.)

² Cf. Bastable, *Public Finance*, 2nd edition, p. 295, and, with special reference to the problem of distribution with which Trade Unionism is concerned, Professor Marshall's *Economics of Industry* (1879) p. 202.

³ Cf. Marshall, *Principles of Economics*, *sub voce*, Discount of future pleasure; also Sidgwick's *Principles of Political Economy*, Book III. ch. ii.

⁴ The exemption of a minimum is to be defended not only after Bentham (*Constitutional Code*, ch. xv., *Works*, vol. 1, p. 319) on the ground of least sacrifice, but also on the ground of greatest efficiency.

⁵ For an instance see below, p. 569.

⁶ For some differences from Mill see below, pp. 560, 571.

⁷ Mill, *Political Economy*, Book V. ch. ii. § 3.

increments, so far as these means are free from the dangers above enumerated. A similar reconciliation between equality and security¹ is taught in an article replete with utilitarian wisdom on *The Ethical Basis of Distribution*, by Professor T. N. Carver.

"The minimum amount of repression [or check to the growth of wealth] is secured by imposing an equal sacrifice on all members of the community, but the minimum amount of sacrifice is secured by collecting the whole tax from those few incomes which have the lowest final utility. No rational writer advocates the latter plan exclusively, but many rational writers do advocate the former plan. Yet it is not beyond dispute that the former plan ought to be followed exclusively."²

This passage, read with the context, almost exactly expresses the thesis here maintained; except that the last sentence is asserted rather too diffidently, and the first clause much too confidently. *Minimum sacrifice*, the direct emanation of pure utilitarianism, is the sovereign principle of taxation; it requires no doubt to be limited in practice; but query whether the requisite limitation is to be obtained from *equal sacrifice*, or any of the cognate subsidiary forms of the hedonic principle which are presently to be considered?

Before leaving the principle of minimum sacrifice, let it be observed that, under the limitations which have been described, this principle may also be applied to justify differential taxation on the ground of differences in other respects besides size of income: for instance, difference in the permanence of the income,³ differences in civil state,⁴ number of children,⁵ age,⁶ and other attributes.⁷

¹ The reconciliation is taught by Bentham with respect to legislation in general. See the forcible chapter on "Security and equality—their opposition," with the context (*Principles of Civil Code*, Part I, ch. xi), *et passim*; e.g., "It is not equality itself but only a tendency towards equality, after all the others [security, subsistence, and abundance] are provided for, that is the proper object of endeavour." (*Works*, Book III, p. 294.)

² *Annals of the American Academy*, 1895, p. 97.

³ It is hardly necessary to refer to Mill's magisterial discussion of this matter.

⁴ An instance of taxation varying according as the taxpayer is married or not is referred to below on p. 562, note 4.

⁵ All would not agree with Mill that having a large family, so far as concerns the public interest, is a thing rather to be discouraged than promoted (*Political Economy*, Book V. ch. § 6.)

⁶ See the curious remarks of M'Culloch on this subject (*Edinburgh Review*, 1833, vol. 57, p. 156).

⁷ Dr. Robert Meyer has given a list of attributes (*Principien der gerechten Besteuerung*, p. 53). Of course it must be remembered that, as Mr. Cohen-Stuart points out, by attempting to make corrections without sufficient data we run the risk of making our result worse.

Besides the principle of minimum sacrifice, which has been considered, there are other species of the hedonic theory of taxation. The most familiar are the principles of equal and of proportional sacrifice: that each taxpayer should sacrifice an equal amount of utility, or an equal proportion of the total utility which he derives from material resources. The former species is the commonest in England; the latter flourishes in Holland.¹ The two species might be included in a genus termed "like sacrifice."

It will be convenient to consider first the practical consequences, next the theoretical proof of these two principles.

In order to deduce conclusions from either premiss, there is required another premiss relating to the law of diminishing utility. There are some reasons for assuming—it is at least the simplest hypothesis—that utility diminishes in inverse ratio to means, after the law of Bernoulli.² Upon this assumption the principle of equal sacrifice gives proportional taxation;³ the principle of proportional sacrifice gives progressive taxation.⁴

But there seem to be better reasons for assuming that the utility diminishes with the increase of income at a faster rate. There is the testimony of high authorities, Montesquieu,⁵ Paley,⁶ J. B. Say⁷ and many others cited in the learned pages of Professor Seligman. True, Mill regards the doctrine as "too disputable altogether" with regard to the higher incomes. But neither Mill nor any other considerable authority has held that the diminution is *less* than in the inverse ratio of the income. Mill's estimate being the lowest, we may take as the most

¹ The honour of clearly distinguishing these principles appears to belong to Mr. Cohen-Stuart (*Bijdrage tot de Theorie der Progressieve Inkomstenbelasting*, ch. i., § 4). He does not seem to deserve Professor Seligman's disrespectful criticisms: "Much ado about nothing" (*Political Science Quarterly*, vol. VII., p. 337); "Cohen-Stuart takes a long time explaining this, but as we know it is nothing new, being precisely what Mill expressed in other words" (*Progressive Taxation*, p. 184, Cf. as to Mill's formula, p. 136). It may well be doubted whether Mill entertained the notion of proportional sacrifice, or distinguished it from that of equal sacrifice. It is certain that the ideas have been confounded by other writers.

² The grounds of this provisional assumption are well stated by Professor Sax, *Die Progressivsteuer* (p. 78).

³ As reasoned by Fauveau (*Considérations mathématiques sur l'Impôt*). It is important to observe that the proposition applies not only to taxes, which may be treated as infinitesimal, but also to integral imposts (Cf. Cohen-Stuart, *Bijdrage*, Appendix I., p. 190).

⁴ As reasoned by Cohen-Stuart, *op. cit.*

⁵ *Esprit des Lois*, liv. xiii., ch. vii.

⁶ *Elements of Political Knowledge*, forming Book VI., of *Moral and Political Philosophy*.

⁷ *Cours*, Part viii., ch. 4; *Traité*, liv. iii., ch. ix.: "Si l'on voulait asseoir l'impôt de chaque famille de manière qu'il fût d'autant plus léger qu'il portât sur un revenu plus nécessaire, il faudrait qu'il diminuât non pas simplement proportionnellement, mais progressivement."

probable estimate one intermediate between his and others, and assume that the utility diminishes at a rate exceeding the increase of income, if not for the highest incomes, at any rate for incomes considerably above the usually exempted minimum.

This presumption is confirmed by the observation that the property in question, the diminution of utility out of proportion to the inverse income, almost certainly holds for large differences as distinguished from differential variations; as Dr. Robert Meyer has well argued.¹ But, if such is the character of the utility-curve as to finite differences, it is probably also its character as to differential variations.² The observed circumstances would not be consistent with the prevalence of Bernoulli's law throughout. It must be assumed that for a considerable tract of the curve—supposed not violently discontinuous—the property in question prevails.

Some doubt may remain as to the extremity of the curve which corresponds to very high incomes. It has been supposed by several high and independent authorities, that ultimately the law of Bernoulli holds good. Some of the reasons assigned are to be found in the passages cited below from eminent authors.³ It is here submitted that the character ascribed to the extremity of the utility-curve is not sufficiently evidenced. First, as to capitalisation, regarding it as an application of income to future

¹ *Die principien der gerechten Besteuerung*, p. 333. Professor Sax's criticisms of this passage seem unnecessarily severe (*Progressivsteuer*, p. 52-3). Professor Sax's own reflections (*ibid.*) confirm the assumption here made as to the character of the utility-curve, up to a certain point at least of the curve.

² The converse of this statement is proved by Cohen-Stuart in his first Appendix.

³ Professor Sax, *Die Progressivsteuer*, *loc. cit.*, p. 101: "Durch diese Einbeziehung künftiger Bedürfnisse erfährt der Bedürfnisstand eine Erweiterung welche die grössten Dimensionen annehmen kann, sich dann aber eben auch auf Bedürfnisse von minimalen Stärkegraden erstreckt. Dieser Umstand in Verbindung mit der einleuchtenden Folgerung dass, da der Bedürfnisgrad nicht auf Null sinken kann, von einem gewissen Punkte niedriger Bedürfnisintensität an die Differenzen der durchschnittlichen Intensität auf einander folgender Bedürfnisgruppen rasch abnehmen müssen und somit das Verhältnis der umgekehrten Proportionalität der Einkommen annehmen, bedingt schliesslich die Aufhebung der Progression des Wertstandes, was folgerichtig die Progression der Steuer zum Stillstande bringt."

Professor F. J. Neumann, *Progressive Einkommen Steuer*, p. 146: "Da in den höchsten Beträgen ein *sehr grosses* Einkommen . . . regelmässig etwas gleich entbehrlichen Genüssen oder aber der Capitalisirung dient."

Professor Treub, in a passage quoted at length by Mr. Cohen-Stuart (*op. cit.*, p. 148), speaks of "het punt waarop de nuttigheidsgrad van het inkomen constant blijft."

Professor Graziani, *Giornale degli Economisti*, 1891, p. 164: "E escluso il concetto d' un saggio [d' imposta] continuamente crescente, pochè s'è dimostrata l'impossibilità d' un continuo accrescimento nella differenza di valutazione fra ciascuna frazione successiva di ricchezza." Cf. *ibid.*, p. 167. Professor Graziani here takes proportional sacrifice as the desideratum (*ibid.*, p. 160).

gratifications (whether personal or vicarious), one does not see why it should not approach satiety with a rapidity greater than that which is assigned by the Bernoullian law. It may be suspected, too, that an improper inference is drawn from the circumstance that as the income is increased by equal increments the differences between the successive increments of utility become less. But it is not with these differences that we are concerned, but with the *ratio* between successive increments of utility. And there is nothing to show that this ratio does not increase more rapidly than according to the Bernoullian law. The pleasure derived from a certain income may well increase with the income somewhat as, according to the theory of errors of observation, the probability that an error will occur within a certain distance increases with the distance.¹ Ultimately the additions become imperceptible, but not the less do they obey the law that a disproportionately large increment of the independent variable is required to produce the same increment of the dependent one. In fine the view here combated has no doubt derived some adventitious aid from the supposed practical necessity of adopting a proportional income-tax for very high incomes; which could only be justified by the principle of equal sacrifice upon the assumption of the Bernoullian law.

It is to be admitted, however, that the property in question has been accepted by Mr. Cohen-Stuart, who cannot be suspected of mathematical confusion, and who has expressly distinguished the theoretical and practical points of view.²

Here are his reasons:—

“For the millionaire—or rather . . . the *millionnaire*—the possession of his income signifies no more than a cipher, the increase of which has no longer any influence on his consumption. To see the cipher increased by 4 per cent. for instance, if it is a pleasure to a man with 10 millions [francs per annum] or one with 100 or 500 millions, would be, I should say, about the same pleasure to

¹ The marginal utility of money—the measure of the increment of welfare which corresponds to an increment of income—might quite well have some such form as the probability-curve, viz.,

$$y \left(= \frac{du}{dx} \right) = Ae^{-(x-a)^2}$$

where x , the independent variable is the amount of income, y the dependent variable in the marginal utility of income (the differential of u the total utility of income); a is the minimum of existence, and A another constant. In order that the sacrifices (first supposed small) made by two individuals having incomes x_1 and x_2 should be equal, the respective contributions should be, not as $x_1 : x_2$, but as $e^{+(x_1-a)^2} : e^{+(x_2-a)^2}$. And this disproportion of contribution to income would not only be maintained, but increased, as the income is indefinitely increased. *A fortiori*, if proportional, not equal, sacrifice is aimed at. *A fortiori*, too, if the sacrifices are not small.

² *Op. cit.*, p. 134.

each. . . . As soon as all personal wants are pretty well satisfied, and, *a fortiori*, after the income has passed this limit, its increase proportionately, that is by an equal percentage, must, as it seems to me, tend to afford an equal pleasure. That the addition of the same *amount* should be as strongly desired, should produce equal pleasure, however great the income, seems to me absurd; that the same *proportion* of the income should have this effect strikes me as rational."¹

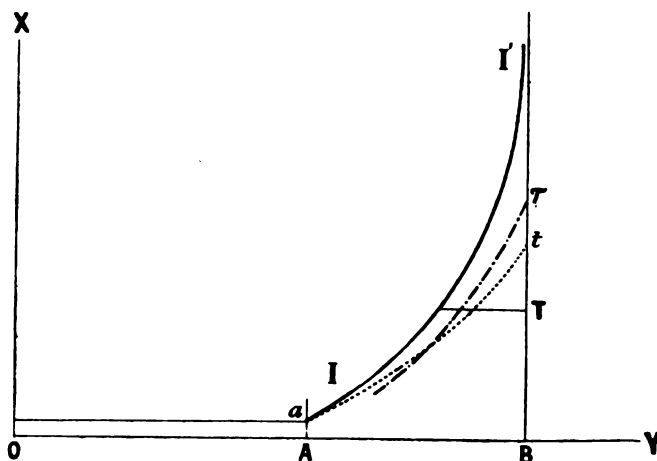
The mathematical reader who is not convinced by Mr. Cohen-Stuart on this point will hardly defer to others.

Upon the assumption that the diminution of marginal utility with income is (throughout) in excess of Bernoulli's law, the principle of equal sacrifice and that of proportional sacrifice both give progressive taxation, the latter in a higher degree than the former.² Either principle, but more probably the latter, may (upon the assumption above made) lead to a subtraction of income so great as to leave the possessor little interest in increasing his income beyond a certain limit. The two varieties of like sacrifice may in this respect resemble the principle of minimum sacrifice in requiring to be limited by a regard for other disutilities beside the constraint and privation occasioned to the taxpayer.³

¹ *Op. cit.*, p. 155.

² *I.e.*, higher for any assigned form of the utility-curve, and amount of taxation.

³ The relation between the different modes of the sacrifice theory might thus be exhibited diagrammatically. Let y measured along the axis OY represent size of income; and construct the curve II' such that the coordinate to any assigned y represents the number of incomes smaller than y . Thus the strip of area $y\Delta x$ represents



the portion of the national income which consists of incomes of the size y . The curve II' is probably shaped as in the figure; in conformity to Professor Pareto's beautiful theory of income-curves ("Cours d'Économie politique pure: Courbe des revenus." Cf. *ECONOMIC JOURNAL*, vol. vi., p. 666) II' may be regarded as asymptotic to—or at least terminating on—a perpendicular through B , where OB

The method of applying the limitation might well be, for all the forms of the sacrifice theory, the use of such a scale of progression as would be given by the principle of proportional taxation *upon the supposition* that the extreme tract of the utility-curve was such as it has been conceived by Mr. Cohen-Stuart and others. Practical reasons, not deductions from any form of the first principle, would thus lead to a "degressive progression" culminating in a simply proportionate tax of the higher incomes, such as in fact seems to be coming into vogue.¹ Then those who hold the principle of proportional sacrifice might avail themselves of the curious theorem given by Mr. Cohen-Stuart, that is the total number of incomes; Aa may be taken as a minimum exempted from taxation.

Then to apply the principle of minimum sacrifice, find a point, T , on the ordinate through B , such that the area intercepted by that ordinate, the horizontal through T and the curve II' should represent a portion of the national income equal to the required amount of taxation. To apply the principle of proportional taxation, find t on the same ordinate such that the required amount of taxation may be equal to the amount represented by the area intercepted between that ordinate, the curve II' , and a curve at which the ordinate η at every point fulfils the condition

$$(y - \eta) \times \frac{du}{dy} \div u = \text{constant};$$

where u is the total amount of utility derived (on an average) from the income y . This curve is represented by the continuously dotted curve line in the figure (upon a certain supposition as to the minimum of exemption, *Cf.* Cohen-Stuart, *op. cit.*, on the "Bestaans-minimum"). To apply the principle of equal sacrifice, find τ , on the same ordinate, such that the required amount of taxation may be represented by the area contained between the ordinate, the curve II' , and the curve of which the ordinate η fulfils the condition

$$(y - \eta) \times \frac{du}{dy} = \text{const.}$$

A part of this curve is represented by the discontinuously dotted line in the figure. If completed this curve may be expected to meet II' asymptotically below A . But, doubtless, regard to efficiency and other practical considerations may lead to the deformation of the curve, so as to join on at an earlier point to II' .

It will be apparent from this illustration that equal sacrifice is less socialistic than proportional sacrifice, and proportional sacrifice less than minimum. But in what degree either mode of like sacrifice is less socialistic than minimum sacrifice, we have no data, it is submitted, for determining. It is quite possible that the curve through τ , and, *a fortiori*, the curve through t , should prescribe a taxation of the higher incomes, which in the interests of production it would be fatal to carry out. Like sacrifice can no more, or not much more, than minimum sacrifice be trusted to act without checks. What, then, is the ground for preferring like sacrifice?

¹ Thus Dr. Westerdijk, in his very able article on the progressive income-tax in the Dutch communes in *De Economist* for March, 1897, holds that "all reasonable supporters of progression" are at one in approving of Mr. Treub's principle which in practice is the same as Mr. Cohen-Stuart's, though not grounded on the same reasons. The formula which is given by Professor Ulisse Gobbi in his *Carattere razionale dell'Imposta Progressiva* (1897) deserves consideration not only on account of its elegance, but also because it is based on an assumption which is frankly arbitrary, not identified with the sacrifice theory. The assumption is that there ought to be an inverse

an approximately proportional tax being imposed on the higher incomes, the law of progression for the tax on the lower incomes, as deduced from the principle of proportional sacrifice, would be much the same, however the law of utility might vary, between wide limits.¹

The distinction between like sacrifice and minimum sacrifice is not more serious when the principles are applied to differences in other respects besides amount of income (cf. above, p. 556). For example, whether it is easier to say that incomes which are not equally permanent should not be taxed equally, because the sacrifices would not be equal to each other, as Mill has it,² or because their total would not be a minimum, as here proposed? So the doctrine of minimum sacrifice, as well as that of proportional sacrifice, may use the proposition affirmed by Mr. Cohen-Stuart, that for the purposes of taxation the married differ from the unmarried chiefly in having a higher minimum of exemption.*

To have deduced the precepts will aid us in estimating the authority of *like sacrifice*. This may best be effected, from the utilitarian point of view adopted in this article, by determining the relation of the principle under consideration to the supreme principle. That relation is one of complete autonomy, if like sacrifice is prescribed by intuitive justice. But the utilitarian

relation between the portion of tax incident on each successive increment of income and the importance of the wants provided for by that increment. Whence for extremely large incomes, as the difference in the importance of the wants provided by successive increments of income becomes indefinitely small, the difference between the portion of tax charged to each increment of income should become indefinitely small; or the tax should become more and more nearly proportional.

¹ Professor Sax's criticism of this arrangement as illogical is not justified by the logic of mathematical science. "From unproved premisses can never follow a conclusion that is to be regarded as proved; from mere assumptions, never a real fact." And much to the same effect in the context (*Progressivsteuer*, loc. cit., p. 82). Now the character of certainty in the conclusion with uncertainty in the premisses is one which frequently is presented in that branch of mathematical science which, as being applied to human affairs, is nearest akin to pure economics, namely, the calculus of probabilities. In ascertaining the probability that a given effect has resulted from a certain cause, it is generally necessary to deal with certain quantities termed *a priori* or antecedent probabilities, about which nothing is known, except that they are not very small [or very great, or very unequal]. Thus Mill, of such an argument: "it would be impossible to estimate that probability with anything like mathematical precision," yet "a practical decision can generally be come to without much hesitation." *A priori* probabilities of this character are involved in the received treatment of physical observations.

² *Political Economy*, Book V., ch. 2, § 4, note.

³ *Bijdrage*, 140-145. The judicious author here repeats the warning that we may overshoot the mark by attempting too great accuracy. Compare the exemptions in favour of the married in the scheme proposed by Grand Council of Berne (but rejected by the referendum), *Report on Graduated Taxation in Switzerland*. C. 6.—15 (1892).

will not accept this *imperium in imperio*. He will object to like *sacrifice* thus supported, what several acute dialecticians¹ have objected to proportional sacrifice, that its propriety is not self-evident.

A position more neutral with regard to utilitarianism is taken by Mr. Cohen-Stuart when he maintains that proportional sacrifice, leaving the relation between all the parties in respect of welfare unchanged, is *the* principle for the Manchester man.² Somewhat similar appears to be the position of Professor Sidgwick, except that he has explicitly recognised the supremacy of the greatest-happiness principle, and admits the possibility of its being employed to promote equality by taxation. But he regards this direct interposition of the supreme principle as liable to a dangerous excess. The principle of equal sacrifice is therefore deputed to act, a deputy not liable, like the principal, to be betrayed into imprudent concessions. This paraphrase is based on the following passages and their context:—

“The obviously equitable principle—assuming that the existing distribution of wealth is accepted as just, or not unjust—is that equal sacrifices should be imposed on all; and this [is] also obviously the most economic³ adjustment of the burden except so far as it is thought desirable to make taxation a means of redressing the inequalities of income that would exist apart from governmental interference.”

“The introduction, however, of this latter principle to any marked extent involves the danger” [described in the preceding chapter]. “And the danger is much greater here . . . because if the principle is applied at all, any limit to its application seems quite arbitrary.”

The position of Mr. Cohen-Stuart with respect to proportional sacrifice and that of Professor Sidgwick with respect to equal sacrifice are tenable, so long as we hold with Mr. Cohen-Stuart that the utility-curve is ultimately of the Bernoullian form. But if, as above contended, this premiss is not tenable, then a rapidly progressive taxation following from the

¹ *E.g.*, Graziani, *Istituzioni*, p. 301; Sax, *Progressivsteuer*, p. 62.

² *Bijdrage*, ch. v. This proposition can hardly be said to have the character of an axiom. What Walker and Professor Seligman call the “leave-them-as-you-find-them theory” is, in the opinion of many, best carried out by a simply proportional income-tax. Thus, M'Culloch, in the *Edinburgh Review* (vol. LVII., p. 162), protests against a graduated income-tax, on the ground that “no tax is a just tax unless it leaves individuals in the same relative condition in which it found them.” So Courcelle-Seneuil speaks of the proportional income tax as “qui altererait le moins l'état de distribution résultant de la liberté” (*Traité théorique et pratique*, ii., p. 218).

³ “Economic” is, of course, used here in the same sense as in the preceding chapter; that is, nearly equivalent to utilitarian in our first sense. (See Book III., ch. vii., § 1, par. 1.)

principle of proportional sacrifice, the Manchester man could hardly be expected to acquiesce in that principle. Nor could the principle of equal sacrifice be safely deputed to act on behalf of the supreme principle. Of the deputy as well as of the sovereign, we might then say: "if the principle is applied at all, any limit to its application seems quite arbitrary." At any rate, the only certain limit to the application of equal sacrifice—viz., that more than the necessary minimum of taxation should not be raised and more should not be required from the higher incomes than would bring down all above a certain level to that level—¹ is greatly in excess of practical limitations. Is it not simpler to dismiss the deputed principle of equal sacrifice, and to adopt as the true norm of taxation minimum sacrifice tempered by a regard for the growth of wealth and other advantages above enumerated?

The capacity of like sacrifice to act independently is even less upon another view of its authority. What if, as compared with the utilitarian code, it is not a sort of by-law, as just now in effect supposed, but simply a clause, a badly-transcribed clause, of the code itself? What if *equal sacrifice* is but a corrupt reading for *equi-marginal sacrifice*, the condition of minimum disutility?² Thus Mill, in that classical passage which has influenced the most influential of his successors,³ in the same breath proclaims the principles of equal and of least sacrifice:—

"Whatever sacrifices it [a government] requires from them [persons or classes] should be made to bear as nearly as possible with the same pressure upon all, which, it must be observed, is the mode by which least sacrifice is occasioned on the whole."⁴

It is remarkable that in support of one of the principal reforms with respect to taxation which he advocated, Mill should have employed the genuine utilitarian reasoning in favour of equality rather than the questionable principle of equal sacrifice.⁵

¹ As appears from the position of the curve through *t* in note to p. 560.

² Above, p. 553.

³ Both Mr. N. G. Pierson (*Staatshuishoudkunde* 1886, p. 310) and Sir Robert Giffen (Evidence before the Financial Relations Commission Q. 7777) profess to follow Mill.

⁴ Mill, Book V., ch. 2, § 2, par. 1. The divergence between the principle of equal sacrifice presented by Mill and that of minimum sacrifice is indicated by the present writer (*op. cit.*, p. 118). Professor Carver calls attention to the fact that Mill affirmed the two divergent principles in the same passage (*Amer. Acad. for Pol. Sci.*, 1895, p. 95).

⁵ Bentham is always clearer than Mill in the deduction of equality from greatest-happiness, because he virtually employs the differential calculus: adding and subtracting "particles of wealth," as in *Pannomial Fragments* (*Works*, vol. III., p. 231.)

Thus when he first introduces the proposal to limit inheritances:—

“It must be apparent to every one that the difference to the happiness of the possessor between a moderate independence and five times as much is insignificant when weighed against the enjoyment that might be given, and the permanent benefit diffused by some other disposal of the four-fifths.” (*Political Economy*, Book II. ch. 2, § 4.)

And in a later chapter on inheritance, he refers to “the deeper consideration that the diffusion of wealth, not its concentration, is desirable.” (Book V. ch. ix. § 2.)

So M'Culloch can see no halting place, such as the principle of equal sacrifice is supposed to supply, between a proportional income-tax and that levelling of the higher incomes which, as above shown, is the inference from the principle of minimum sacrifice.¹

So Dr. Robert Meyer describes as “the commonest argument” in favour of progressive taxation one which rests upon an interpretation of equal sacrifice which makes it virtually identical with equi-marginal sacrifice.²

So some of the high authorities who have advocated progressive taxation on the ground of equal sacrifice may be credited with an “unconsciously implicit”³ utilitarianism of the pure type. Mr. Cohen-Stuart indeed has argued that several of these high authorities hold the principle of proportional sacrifice. For whereas they have deduced progressive taxation from the principle of equal sacrifice, *simpliciter* and without any *datum* as to the law according to which utility diminishes, this fallacious reasoning is explicable, he thinks, on the former supposition, but on the latter inexplicable. But what if there was in the confused minds of these distinguished publicists not *equal* sacrifice nor yet *proportional* sacrifice, but *equi-marginal* sacrifice (leading to *minimum* sacrifice)? It is true that this premiss is less consonant to their statements than the other. But then their conclusion really does follow from this premiss. Obligated as we are to make a compromise between obscure premisses and fallacious reasoning, may not the line of least confusion, so to

¹ *Edinburgh Review*, vol. LVII., p. 164 (1833).

² “Das gewöhnlichste Argument dass die proportionale Steuer bei grösseren Einkommen deswegen ein geringeres Opfer verursache, als bei kleineren, weil sie nur entbehrlicheren Bedürfnissen die Befriedigungsmittel entzieht beweist zu viel” [*i.e.*, it leads to the conclusion above deduced from the principle of least sacrifice, that the higher incomes should be cut down to a lower level.] *Op. cit.*, p. 331.

³ The happy term applied by Professor Sidgwick to the utilitarianism which is latent in current ethical opinion.

speaking, be—not the assumption that the premiss was somewhat obscure and the reasoning somewhat erroneous, but—that the premiss was quite confused and the reasoning quite exact?

Altogether, whatever view we take of the relation of the principle of like sacrifice to pure utilitarianism, the sphere of its action independently of that supreme principle appears to be insignificant.

The proposal here made to substitute *minimum* for *equal* in the "sacrifice" theory of taxation will not modify considerably the practical directions afforded by that theory. Rather the obligation to follow those directions is made clearer. As of old, before the invention of the compass, the star-steered sailor would not sensibly have altered his course if he could have discovered, by the use of a telescope, that what he had regarded as a luminous point was really a double star, composed of bodies separated from each other many million miles; so in the present state of financial science, affairs being at such an enormous distance from principles, the discovery that the sacrifice theory comprises several distinct ends is not calculated to result in a serious alteration of the line of conduct indicated. Rather the use of our speculative instruments in separating the species of this theory of taxation conduces to keeping in view the generic principle, in spite of distance and obscurity. The use of *minimum*, instead of *equal*,¹ sacrifice enables us to pierce the sort of metaphysical mist which has been raised by the question: *Why* should the principle be adopted?² The question is not embarrassing to those who regard minimum sacrifice as a deduction from the greatest-happiness principle—"the only possible, the only conceivable principle which can guide legislation on a great scale."³ Again, there is a want of clearness in the reasoning from the principle of equal sacrifice, because in order to obtain any conclusion some assumption must be made as to the rate at which the increase of utility tends to diminish with the increase of means;⁴ while "to ascertain the exact relations between something psychical and something material is im-

¹ In the following paragraphs dealing with practice it has seemed best as most agreeable to usage, to occasionally employ the term "equal" generally, covering *proportional* as well as *equal* in the proper sense (see above, p. 557).

² Asked *e.g.* by Professor Graziani with reference to the Dutch form of the doctrine, *Istituzioni*, p. 301.

³ Sir Henry Maine, *Political Institutions*, last page.

⁴ Above, p. 557.

possible."¹ But the reasoning from the principle of minimum sacrifice assumes no exact relation between utility and means; it assumes only what is universally admitted, that utility does not increase proportionately to means, the Jevonian "law of diminishing utility." Again, some confusion is caused by the conflict between the two forms of equal sacrifice; equal in a proper sense ✓ and proportional. But the pure utilitarian has no difficulty in accepting both principles as equally inexact but equally useful approximations to the true principle; or rather that of proportional sacrifice as more exact, being more in accordance with minimum sacrifice, equal sacrifice as more useful, in this country at least, as being more familiar.

To take as a concrete example the problem presented by the financial relations between England and Ireland, the general result of the preceding considerations would be to strengthen that argument in favour of the Irish claim which is grounded by some high authorities on the principle of equal sacrifice, and to weaken those objections to the argument which are grounded by other high authorities on the indefiniteness of the principle. This correction would be the less important in so far as the consideration of sacrifice has to be combined with other considerations not admitting of precision.

There are several considerations special to the concrete problem which can only be adverted to here—put in the form of questions to which the answers are not given. (1) What disbursements from the Exchequer are applied to common purposes, the benefits of which cannot be allocated to particular regions, any more than to particular individuals? Does "the expenditure . . . for the general objects for which a government is carried on, namely, for the administration of justice, the maintenance of order, the maintenance of the poor"² and so forth, belong to this class? (2) Whether, if much of the taxation complained of is raised by duties on stimulants, the privation thereby occasioned to the consumers should be left entirely out of account, and no part of it should be reckoned in that total of sacrifice which it is sought to minimise, because some part of the taxed commodities is consumed intemperately? (3) Whether it is any mitigation of such sacrifice that the consumer of the taxed articles was free to abstain therefrom; or whether it is not only demonstrated by the classical political economy³ that

¹ Seligman, *Progressive Taxation*, p. 136.

² Sir Robert Giffen, in evidence before the Royal Commission on the Financial Relations between England and Ireland, Q. 11,024.

³ See Mill, Book V., ch. vi., § 1. Cf. Bastable, *ECONOMIC JOURNAL*, vol. VI., note to p. 202.

taxes on commodities are not less burdensome, but also demonstrable by the modern mathematical method¹ that they are more burdensome, than direct taxation? (4) Whether, if a special rate of taxation is claimed by the inhabitants of a peculiarly circumstanced part of a united kingdom, such as Ireland, on the ground of a special predilection for certain now heavily taxed commodities, or on any other *prima facie* reasonable ground, such a claim is not to be entertained, because it would not be practicable to allow a special rate to the inhabitants of some other part of the United Kingdom, such as Wiltshire; or whether, as Mill says, with reference to his proposal to allow a specially low rate of taxation for a class whose sacrifice is specially great, "the difficulty of doing perfect justice is no reason against doing as much as we can."² (5) Whether, if Ireland is overtaxed only because she is poor, it may not be a problem of practical interest to determine by how much her taxation is in excess of what it would be if a just distribution of taxation as between rich and poor prevailed throughout the United Kingdom? (6) Whether and how much the Irish claim is strengthened by the treaty of the union providing for "particular exemptions or abatements"? or (7) on account of the alleged "economic drain from Ireland"? or (8) on old scores, in particular the generally admitted overtaxation in the middle part of the century, and the much-disputed transactions in the first part of the century?

To attempt to evaluate these items in the account between the two countries would be out of place in a discussion of pure theory. It will merely be assumed here, for the purpose of illustration, that the items referred to are not so preponderant as to make the consideration of "sacrifice" of no account. Upon this assumption the first approximation to the solution of the problem is obtained by minimising the total sacrifice, subject to the con-

¹ If a given amount—which may at first be supposed finite and small—is raised by taxing a few commodities (not specially selected in the interest of the consumer as suggested by Professor Marshall, *Principles*, Bk. V., ch. xii., § 7), there will in general occur under the head of those commodities a loss of "consumers' rent" which does not occur when the amount is directly subtracted from income, the consumer being free to reduce his expenditure on all commodities without disturbance of prices. The proposition may easily be extended to larger amounts of taxation.

Abstraction is here made of certain secondary advantages attending indirect taxation: that it is apt to escape attention, and that it is taken at a time and in a manner very convenient. The former advantage, as Mill observes (*loc. cit.*), is dwindling; the latter may find a set-off in the practice of stopping income-tax at the source.

² *Pol. Econ.*, Book V., ch. ii., § 4 *Cf.* "It is no objection to this principle [equal sacrifice] that we cannot apply it consistently to all cases."

dition that production is not much diminished. The condition, as above explained,¹ operates at two points. There is danger of diminishing by differential taxation the accumulations of the very rich, the efficiency of the not very rich.

The latter consideration has been urged with great force by Professor Sidgwick and Professor Bastable in the Memoranda submitted by them to the Financial Relations Commission.² It must be remembered, however, that the consideration figures on both sides of the account. If the efficiency of the richer country may be somewhat diminished by increase of taxation, the efficiency of the poorer country may be considerably increased by relief from taxation. The gain on balance is especially evident in the case where the aggravation of taxes is experienced by those whose income exceeds the necessities for efficiency, and the relief from taxation is experienced by those whose income falls short of the necessities for efficiency; necessities being here defined, as proposed by Professor Marshall, in suchwise that the income of any class is said to be below the necessary level when an increase in their income conduces to an increase by a greater amount in their efficiency.

It is not quite clear how far this consideration of efficiency forms part of the ground on which the exemption of a minimum income from taxation is ordinarily claimed. It is, at any rate, a consideration only subordinate to a consideration for the "sufferings of privation" which, as Bentham says, are caused by taxes levied upon persons who may not have wherewith to pay.

The balance of minimum sacrifice against maximum production being necessarily rough, it is no great objection to any part of the calculation that it is devoid of numerical precision. Yet that is the sort of objection which has been brought against Sir Robert Giffen's estimate of the "taxable surplus" for Ireland and Great Britain respectively. On this subject Professor Bastable writes:—

"The fairest rough test—and no test can be looked on as more than an approximation—of taxable capacity is to be found in a comparison of total income rather than in any refined and doubtful calculation as to what is left after necessary expenses have been defrayed."³

"The difficulties inherent in any attempt to refine on or manipulate the

¹ Above, p. 555.

² Vol. II., 182 col. b., and 184 col. b.

³ *Principles of Economics*, Book II., Ch. iii., § 3.

⁴ The level of *necessaries* in the technical sense is in general different from the "necessaries of life," "the requisites of life and health" (Mill) usually referred to in this connection.

⁵ Appendix to *Evidence of Financial Relations Commission*, Vol. II., p. 185.

total income in order to get a measure of ability, seems to indicate the convenience of keeping to the plain rule of taxation according to income."¹

"The decisive objection to such theories is the difficulty of their practical application. To estimate income is a task, perhaps, too difficult for the statistician; but to discover the amount of 'free' income is quite hopeless, and the employment of conjectural amounts as guides in so definite a matter as taxation is a dangerous course which might lead to the most paradoxical results. A slight alteration of figures would supply the premisses for an altogether different conclusion."²

"In 1886 Sir R. Giffen estimated the taxable surpluses of Great Britain and Ireland respectively at 800 millions and 15 millions; in 1895 he estimated them at 900 millions and 22 millions. From which it at once follows that Ireland's taxable capacity had risen from being less than 1:53 to more than 1:41. . . . Mr. Lough gets 1,092 millions to 15 millions or 72½:1 as the ratio."³

This argument seems to exaggerate the determinateness of the problem. Taxation is "not so definite a matter." The claim to a special rate of taxation, as Mill says of the claim on behalf of temporary incomes, "does not rest on grounds of arithmetic, but of human wants and feelings." As involving an estimate of immaterial quantities the distribution of burdens in the way of taxation might be compared to the distribution of prizes by way of examination. It is not so definite a matter measuring intellectual ability by numerical marks. "The difficulties inherent in any refined attempt to get a measure of ability" might seem to indicate the convenience of keeping to some "plain rule" of examination, *e.g.*, that the marks of a candidate should be proportioned to the *length* of his answers. But this plain rule being plainly unfair is not preferable to more refined estimates which though affected with "personal equations," and all kinds of fortuitous aberrations, still aim at least at ideal fairness. It is quite possible that marks so different as 53 and 41 assigned to the same candidate by different assistant examiners might assist the head examiner in placing the candidate. So the very divergent estimates of damages made by separate jurymen are compounded into a result by which substantial justice is secured. The estimates of taxable surplus must be similarly treated as liable to a considerable "error" or uncertainty. It is in this spirit that the distinguished propounder of the estimates in question has understood his figures.

"When we come to deal with the matter equitably, that is a thing which ought to be allowed for."⁴

¹ ECONOMIC JOURNAL, Vol. VI., p. 200.

² *Ibid.*, pp. 199, 200.

³ *Ibid.*, p. 200, notes.

⁴ Evidence of Sir Robert Giffen before the Commission on Financial Relations between England and Ireland, Q. 7777.

"But then of course these are very rough computations indeed, and are only meant to be illustrative of what the effect of applying this principle would be."¹

"Some rough mode of calculation of that kind is all you can do."²

"I do not suggest and never suggested such a rule [that the taxable incomes of Ireland and Great Britain are in the proportion 22 : 900] could be applied in a strict arithmetical way."³

In short, the general principle for adjusting taxation between two regions—or any classes, whether defined geographically or not—between which it is thought fit to establish distinctions of taxation, is not a simple rule of three applied to incomes, but rather a method such as that which was adopted in Switzerland in 1851, for regulating the contributions of the cantons to the "Federal Expenditure."

"To make oneself familiar with all the different circumstances which have to be taken into consideration in order to form a judgment on the economic situation of a canton; then, using a free judgment, and without taking too rigorous a basis, to tax each canton according to a certain tact."⁴

The alternative plan of "proportioning the normal contributions of different income classes to the *total* incomes of the respective classes, while carrying out Mill's principle of not trenching on the subsistence minimum, by excluding taxes on the necessities of life as well as direct taxes of the poor,"⁵ derives, it is here submitted, an undue support from Mill's use of *equal*, instead of *minimum*, sacrifice. Even on the principle of equal sacrifice proportional taxation of income (above the exempted minimum) is an extreme measure.⁶ The golden mean is not to be attained by creeping cautiously close to the limiting extreme—*nimum premendo litus iniquum*. The guiding star of Utilitarianism shines in a direction away from that hard coastline, and gilds the bolder course with the light of pure theory.

F. Y. EDGEWORTH

¹ Evidence of Sir Robert Giffen before the Commission on Financial Relations between England and Ireland, Q. 7778.

² *Ibid.*, Q. 7780.

³ *Ibid.*, Q. 7787.

⁴ Quoted by the Royal Commission on the Financial Relations between England and Ireland, Vol. II., Appendix XVI.

⁵ Professor Sidgwick in Appendix I. to Vol. II. of Evidence before the Commission on Financial Relations (C. 7720), p. 183. Compare the very similar language of Professor Bastable on p. 185.

⁶ As argued above, p. 559.

REVIEWS

The Indian Coinage and Currency. By L. C. PROBYN.

THIS is a reprint of papers on the Indian Currency question published by Mr. Probyn in 1888 and subsequent years, supplemented by copies of the Indian Coinage and Paper Currency Acts, corrected up to date, also by a diagram representing the course of silver and the rupee since 1893. The papers exhibit careful study and a clear comprehension of the principles that should be followed in regulating the quantity and value of money; and as Mr. Probyn formerly held a high appointment in the Indian Financial Department, he possesses the local knowledge so necessary in dealing with the problem he attempts to solve. The overtures recently made by the United States and France with the object of inducing the British Government to reopen the Indian Mint to the free coinage of silver, have directed attention to the difficulties encountered by India in her attempt to fix her sterling exchange; and the parts of Mr. Probyn's book that will prove most attractive are those in which he suggests a somewhat novel, but a cheap and safe method of overcoming the chief difficulty.

The important changes made in the currency arrangements in India in 1893 were the following:—

1st. The stoppage of the open coinage of silver.

2nd. Gold coins and gold bullion were made convertible into rupees at the rate of 1s. 4d. per rupee.

3rd. The gold so received by the Government of India may be expended in the purchase of silver bullion for the coinage of rupees at a profit; or on the requisition of the Comptroller-General it may be placed in the currency reserve.

The Government of India have reserved power to themselves to expand or contract the rupee currency at their pleasure; but they forbear to exercise this power; and the practical result of the legislation of 1893 has been to free the rupee currency from the control of silver, and to place it on an inconvertible footing. The provision for conversion of gold into rupees at 1s. 4d. will enable the rupee currency to expand automatically at times when exchange rises to that rate, and it will necessarily prevent any important rise in exchange over

that rate : but strange to say no steps have been taken to prevent a fall in exchange or to correct a redundancy of currency arising from slackness of internal trade or an unfavourable balance of foreign indebtedness ; and owing to this defect great uncertainty prevails as to the course of exchange. The present arrangements are understood to be temporary and to be preparing the way for the establishment of a gold standard ; but four and a half years having elapsed without any accumulation of gold, it is no wonder that surprise is expressed that Government still decline to take effective measure to give the currency a gold basis.

The legislation and notifications of 1893 were apparently framed in the hope that the demand for the inconvertible rupee at the rate of 1s. 4d. would be so great that gold would speedily find its way into the Paper Currency Department to an extent sufficient to make the rupee convertible ; but experience has shown that the public distrust an inconvertible rupee as much as the rupee of full bullion value, and there is no rush of capital to India and no confidence shown in rupee securities. The Exchange Banks continue to work with small rupee balances, and it is obvious that if the Government of India wish to create a demand for the rupee currency, and thereby accumulate gold, they should begin by taking effective measures to prevent a fall in their sterling exchange. If they wish to sell their rupees they must display a little enterprise, and offer the public a rupee worth having.

All other countries that have adopted a gold standard of late years have begun by accumulating a stock of gold ; and it may be asked why the Indian Currency Committee omitted to recommend the Government of India to follow their example. The reason is that the natives of India employ coins to an exceptionally large extent, because they distrust paper money and they have a weakness for hoarding ; and were they given the option of converting their cumbrous silver coins bearing intrinsic value into heavy gold coins of full metallic value, the latter would be substituted for the former to such a large extent in the local circulation and in hoards that ruinous expense would be incurred by Government in maintaining a supply of gold coins. This is recognised by Sir David Barbour in his Minute of 21st June, 1892. He says : " For the purpose of introducing a gold standard into India, we might stop the free coinage of silver, adopt measures for accumulating a store of gold, and, when what was considered a sufficient stock of gold had been obtained, we might open the mints to the free coinage of gold, make gold coins a legal tender, and guarantee by our accumulated stock of gold the exchangeability of silver for gold coins according to their face values. I do not recommend this plan : the accumulation of a sufficient store of gold would be a measure too expensive for a country situated as India is, and when it had been accumulated, and the exchangeability of the silver coins for the gold coins had been guaranteed by means of it, there would be a very great risk of the

whole stock of gold being drawn away in exchange for rupees." If, then, India is too poor to borrow a supply of gold sufficient to give her a gold currency, and if there is still less prospect of her effecting large sales of inconvertible rupees for gold at 1s. 4d., how can she fix her sterling exchange and adopt a gold standard? Mr. Probyn meets the difficulty by suggesting that she should adopt a gold standard without a gold coinage. He says: "The basis of my proposal is the principle that if the exchange of the current money of a country into gold could be guaranteed, and *vice versa*, gold would act efficiently as a measure of value, even though it was not used at all locally as current money." He revives an old idea carried into effect by the Scotch banks in the eighteenth century and by the Bank of England in the early part of the nineteenth century. It is mentioned with approval by the Parliamentary Committee on the Irish currency of 1804, the Bullion Report of 1810, and the Committees of the Upper and Lower Houses in 1819. Its object is the economy of gold by confining the use of the metal to foreign payments, and its importance has increased greatly since the spread of the gold standard of late years.

Mr. Probyn takes as his model Sir Robert Peel's Bill for the resumption of cash payments in 1819: it would have been better had he adhered more closely to the measures framed by that great authority. It would have been still better had he followed closely the plan proposed in 1804. The prominent feature of the legislation of 1819 was the provision for raising and maintaining the value of the paper currency, and this part of the currency machinery was set in motion from the first.

1st. The paper money was given automatic power of contraction, and any fall in its value was prevented by making the notes convertible from 1st February, 1820, into gold bars at rates that raised the value of the paper money gradually to its old par rate.

2nd. With regard to the expansion of the currency and the prevention of a rise in value over the par rate, Mr. Ricardo recommended that the Bank of England should be bound to give its notes to the amount of £3 17s. 6d. for each ounce of gold tendered by the public: but this proposal was not adopted, probably because it was intended to resume the issue of coins whenever the Bank notes were restored to their old gold price.

In adapting these measures to India, Mr. Probyn follows carefully the recommendation of Ricardo which was not adopted in 1819; but he postpones to a far distant and uncertain date the all-important provision for conferring upon the currency automatic contraction, and preventing a fall in its value. His proposals are:—

1. That legislative force should be given to the notification of 1893, under which the public can obtain rupees at the Indian Mints and Reserve Treasuries, in exchange for gold at the rate of 1s. 4d.

2. That the gold so received shall be part of the paper currency reserve, and shall be held either in the form of full legal tender gold

coins of the United Kingdom, or gold bars representing not less than Rs. 1,000 each.

3. That in order to give the rupee currency automatic power of contraction, Government should be empowered (though not required) so soon as the portion of the paper currency reserve held in rupees has continuously for one year been less than that held in gold, to give gold in exchange for rupees or rupee notes at the rate of 1s. 4d., if presented for the purpose in quantities of Rs. 10,000.

4. That the present Rs. 10,000 notes should be called in, and in future notes of Rs. 10,000 payable at the option of the holder, either in gold or in silver rupees shall be issued in exchange for gold alone, gold in the form of bars being specially reserved to meet any such notes outstanding.

It will be observed that the chief defect of the present currency arrangements in India is repeated in Mr. Probyn's scheme. Immediate provision is made to prevent a rise in exchange over the theoretical par; but the all-important protection against a fall in exchange is postponed until the demand for the inconvertible token rupee becomes so great that the gold deposited by the public for the purchase of rupees amounts to half the paper currency reserve. In the interval Indian trade is to be disturbed by exchange fluctuations and hampered by an inelastic currency; and with all these drawbacks it is expected to thrive so wonderfully as to enable India to obtain mechanically the gold that other nations secure by borrowing and the adoption of other exceptional measures. Mr. Probyn should have had a little more faith in the economical nature of the scheme he advocates, and should have recommended that the amount of gold necessary to give immediate convertibility to the rupee should be raised by loan. Had exchange been kept at 1s. 4d. during the past four years with the aid of a gold reserve, the saving in exchange on the remittance of the Home Charges on compensation allowance and on the pay of the British soldier would have trebly covered the interest payable on the gold loan.

Again, the object of the proposed issue of gold notes is not clear. They would divide the Indian currency into two sections that would fluctuate in value relatively to each other, and would complicate local payments much in the same way that foreign payments are disturbed by exchange fluctuations. The 10,000 rupee notes would be convertible into gold, and would circulate at par with sterling money, while the rest of the currency would be inconvertible and would vary in sterling value day by day.

There are other points in Mr. Probyn's scheme to which exception might be taken. If the use of gold in connection with India's currency is to be confined to the settlement of foreign indebtedness, it is not wanted in India, and it would be most convenient for all concerned were the gold reserve kept in London, the great centre for settlement of all foreign balances. If this were done there would be no necessity

for keeping gold in the form of bars. The fund might be kept in the form of sovereigns in the Bank of England, and would thus help to swell the great central reserve of the Empire. England has no foreign centre in which she could settle her foreign trade balances; and when she desired to economise the use of gold in her currency she was obliged to adopt Ricardo's device and keep her conversion reserve in the form of gold bars: but Scotland and Ireland occupy a position that corresponds more with that of India, and when they desired to fix their exchange with England without the use of gold coins they found it best to open deposit or credit accounts with the Bank of England and fix the value of their paper money by making it convertible into drafts on London. Besides, if gold coins are not to be used in India, fresh rupees will be required from time to time, and will be issued to the public in exchange for gold. Mr. Probyn's proposal is that this gold shall be made over to Government in India: but as it is to be employed by Government in the purchase of silver when half the Paper Currency reserve is held in gold, and London is the great market for both the gold and silver, the gold should be made over in London and the silver bought there by Government. Otherwise two metals will be sent to India when one only is required: and unnecessary expense and delay will be incurred.

While these details of Mr. Probyn's plan appear open to criticism, he must be congratulated upon the main principle of the scheme, and the general correctness of his arguments. It would, however, have been better had he modelled his plan more in accordance with the recommendations of the Parliamentary Committee of 1804 on Irish Currency, than on the legislation of 1819, because the latter dealt with a local currency, whereas the former dealt with a distant and independent currency like that of India. The Report of 1804 is not readily obtainable, and as Pitt and Fox were members of the Committee, and many of their recommendations are most applicable to the existing currency arrangements in India, a short summary of the clauses that touch on these points may interest the readers of the *ECONOMIC JOURNAL*.

The Report says that the great and effectual remedy to the fluctuating exchange between Ireland and London would be the repeal of the Restriction Act, which was then in force and was the cause of the evil. The re-establishment of the gold coinage and the restoration of the convertibility of paper money into the gold coins would give both countries a common circulating medium, and the fluctuations in exchange would be limited to the expense of transmitting specie or gold from the one country to the other. The Committee recognised however that the expense involved in accumulating the gold was a strong argument against the sudden adoption of such a measure. In these circumstances the Committee did not make the mistake committed by the Indian Currency Committee, and abandon the principle of convertibility. They admitted that the most expensive method of con-

vertibility, viz. convertibility into coin, was impracticable ; but they went on to consider other and less expensive modes of convertibility.

With this view they discussed the following proposals :—

1st. The consolidation of the two Banks of England and Ireland.

2nd. Compelling the Bank of Ireland to give Bank of England notes in exchange for their own on demand.

3rd. Making Bank of Ireland notes exchangeable into Bank of England notes in London.

4th. *Compelling the Bank of Ireland to make their notes convertible into Bills of Exchange on London.*

The Committee decided that the fourth remedy was the best, and in dealing with the objection, so often raised when similar proposals are made with regard to India, viz., the difficulty and expense which would attend the procuring a fund in London on which to draw, they observe that “ Neither the difficulty nor the expense attendant on this measure would be so great as that to which the Bank would be put by undertaking to make its notes convertible into gold coin : ” and they impress upon the attention of the House the evidence of a Mr. Mansfield, which shows, in the example of Scotland, the practical mode of carrying the measure into effect and how *a very small sum wisely applied* did operate.

His account states that there was after the Peace of Versailles in 1763 an exchange of 5 or 6 per cent. against Scotland with London created by persons collecting gold from the different banks there, bringing it to London and passing their bills at Edinburgh for it, in order to put a profit into their own pockets by moving the Exchange. (This is precisely the course adopted at present by the bullion dealers of Bombay.) The two Chartered Banks of Scotland, seeing that this exchange arose from artificial means, collected as much funds as they could bring to London, and by drawing gradually at $\frac{1}{2}$ or 1 per cent. less than the others, reduced the exchange to what they esteemed par bills of forty days date, at which (the Committee go on to say) it has continued ever since unaffected by the failure of the Bank of Ayr, the convulsions to credit in general in 1792 and 1793, the failures in 1795, and the difficulties which caused the restriction in 1797 in England, but which was not extended to the Chartered Banks of Scotland ; and all this notwithstanding the great presumption, that if an account of all pecuniary transactions between Scotland and England could be ascertained it must have often happened that the balance was against the one country or the other. “ This remedy ” (the Committee say) “ appears to have been suggested to the Banks of Scotland by their good sense and patriotism, to try the efficiency of a measure without precedent, while the Bank of Ireland has only to follow an example where success has been demonstrated by experience. . . . But all the benefits proposed by this mode of remedies would be of little avail and of very limited duration, if it did not promise at the same time to cure the depreciation of paper in Ireland by diminishing its over-issue, a consequence

which your Committee are firmly persuaded must follow the Bank of Ireland notes being made convertible into drafts on London, almost in the same manner as if the Restriction Act ceased, and they were convertible into gold coins."

It will be observed that in 1804 as in 1819, prominence was given to the provision for conferring upon the currency automatic power of contraction with the aid of convertibility; and it is to be hoped that the Government of India will no longer delay supplementing their present currency arrangements with this important provision. The expense will be comparatively little if the rupee currency is made convertible into drafts on a gold reserve located in London, or into gold in any form that cannot be used in the Indian circulation.

A. M. LINDSAY.

A Contribution to the Bibliography of the Bank of England. By T. A. STEPHENS. 200 pp. 8vo. (London: Effingham Wilson, 1897.)

MR. STEPHENS has rendered the student a service the full value of which will be felt only by those who, spending much time in minute study of a particular subject, have worked through masses of material, worthless for their purpose, before discovering the best sources of information. With the aid of this *catalogue raisonné* any one who wishes to study the Bank of England and its history should be able at once to decide what books he requires. The contemplation of this volume saddens us with the reflection that a bibliography of Political Economy in general is the stupendous task of the distant future. We have only to think of such sections as value, wages, land, taxation, &c., to perceive the magnitude of the whole work in which money and credit would form but one of several divisions, banking a sub-division, banking in England a yet further division, and the bibliography of the Bank of England here compiled occupying a mere nook of the great space. On the other hand the present "contribution" encourages the hope that, as often in this country, the encyclopædic result may be attained, if not by a synthetic plan, by an ultimate bringing together of individual independent achievements.

The bibliography proper begins with Sir Balthazar Gerbier's *Some considerations on the two grand staple Commodities of England*, 1651, and ends with *A History of Banks, Bankers, and Banking in Northumberland, Durham, and North Yorkshire*, 1894, by Maberly Phillips. To this is added a list of books on the National Debt from Defoe's *Villainy of Stockjobbers Detected*, 1701, to Sir Edward Hamilton's *Account of the Operations under the National Debt Conversion Act*, 1888, and the *National Debt Redemption Act*, 1889, which appeared eight years ago. Following these comes an account of the life of William Paterson, founder of the Bank of England, with a list of his works, short lives of the first Governor, Sir John Houblon, Deputy Governor,

Michael Godfrey, and the famous Abraham Newland, while the book is completed by a useful chronological summary of events affecting the Bank from 1694 to 1896. The book has been printed at the Bank and at the Bank's expense, and as only 250 copies have been struck off it is likely at no distant date to possess enhanced value in exchange as it already possesses value in use. The fortunate owners of the work will not be dispensed from the necessity of supplementing it at various points with manuscript additions. At a cursory glance we miss, e.g., *A Proposal to the Bank of England, with some few considerations upon Goldsmiths' Notes*, London, 1695; *A Letter to a Friend Concerning Credit, and how it may be Restored to the Bank of England*, London, 1696; *Argument against Prolonging the Bank*, London, 1706; *The Ruin of the Bank of England and all Public Credit inevitable*, by John Holland, London, 1715, and several other early writings. Mr. Stephens catalogues only the third edition of Thomas Fortune's *Concise and Authentic History of the Bank of England*, 1802, without stating that the first edition appeared in 1798. Nor are the *format* and place of publication given in any instance. These details have more than a mere bibliophilical interest, and if the book should be reprinted we hope to see them supplied. Apart from these defects the work has been admirably done.

HENRY HIGGS.

Leerboek der Staathuisondkunde. Door N. G. PIERSON. Tweede Deel; 1^e stuk. Tweede herziene druk. (Haarlem: De Erven F. Bohn. 1897. Pp. 376.)

THE second volume of Mr. Pierson's revised treatise maintains the high character of the first.¹ His solid sense and weighty learning move steadily along the main lines of economic reasoning like those vast engines which rolling over our material high roads render them more smooth, compact, and serviceable. We cannot follow his course methodically; we must pass hurriedly over large tracts.

Production being the subject of the third subdivision (*afdeeling*) which forms Mr. Pierson's second volume, he first clears away the misconception of over-production, then makes "the conception of production" clearer by defining the terms goods and income. Under the head of "production and self-interest" are considered depressions, which are seen to be unavoidable; crises, the evils of which can be only palliated by an improved banking system; trades unions, which cannot exercise a great influence in a poor and undeveloped population; social legislation, which is in principle perfectly justified, but is often powerless and always difficult; in fine, socialism, which preaches ideals for which we must cherish the highest sympathy, but has not shown how they are to be realised. The imperfections of a social machinery driven by purely economic motives may partly be corrected by charity.

¹ See ECONOMIC JOURNAL, VI., p. 435.

Charity performs a part like that of the weaver in a mill who takes up the broken thread. The State, besides its direct action in the way of poor relief, may do something to excite charity by means of *enquêtes*, which open the eyes and direct the opinion of the public.

The evils which charity palliates would be much less formidable were it not for the danger of the too rapid increase of population. Mr. Pierson truly says: "It is no light task to give a just exposition of Malthus' doctrine." Readers of the *ECONOMIC JOURNAL*¹ may remember the surprise with which they learnt from Mr. Cannan that the law of diminishing returns was not an essential part of Malthus' original doctrine. We commend Mr. Pierson's version of the theory as a sufficiently accurate summary. He clears away some misconceptions. M. Leroy Beaulieu's polemic against the particular rate of increase, doubling in twenty-five years, assigned by Malthus is shown to be irrelevant, if not erroneous. Mr. Pierson does not subscribe to M. Leroy Beaulieu's encomium of large families as schools for forming character, while in small families the children are liable to be spoilt by too much care. This argument contains some grains of truth, in so far as it relates to the more favoured classes. But think of the majority of little urchins among the struggling masses. There is no danger of their being unnerved by over care. As to the objection that the struggle for life is a necessary condition of energy, may there not be a struggle for the comforts of life rather than for life itself; such a struggle as we see in the case of the banker, the manufacturer and the shopkeeper? Among the theories which run counter to that of Malthus, a foremost place is occupied by the pre-Malthusian doctrine that increased population brings increased employment. The principles of Beccaria and J. J. Becker have been revised in a modern form by Prof. Cort Van Linden. It is not very creditable to the Socialists, Mr. Pierson justly thinks, that they for the most part pass over the Malthusian theory in silence. Marx is hardly an exception. However, Mr. Pierson thinks him worthy of a serious refutation. To the contention that Malthusianism makes against charity, Mr. Pierson quotes with approbation the words of Malthus himself.

"Supposing it to be allowable that the exercise of our benevolence in acts of charity is not upon the whole really beneficial to the poor, yet we could never sanction any endeavour to extinguish an impulse, the proper gratification of which has so evident a tendency to purify and exalt the human mind" (p. 443, 7th Ed.).

Besides, as imprudent marriages spring from want of foresight, the mitigations of consequences—not being foreseen any more than the consequences themselves—would not tend to increase the imprudence. Extreme uncharitableness is like extreme punishments, which long experience has proved a failure.

These and other objections having been met, there comes the

¹ Vol. II., p. 53.

question, to what practical conclusion does the Malthusian theory lead? To none, would be the simple answer, if, as M. Leroy Beaulieu holds, it is a law that the proportional excess of births over deaths tends to decrease among civilised people—the more rapidly the greater their progress and intellectual culture. Mr. Pierson, with that mastery of figures which he ever evinces, marshals statistics against this proposition. The decennial excess of births over deaths—or “natural increase” as our statisticians say—in England during the last century was some 6 per cent. on an average, and in no decade greater than 10·3 per cent.; while since 1801 the decennial increase has been some 14 per cent., and in no decade less than 11·7 per cent. In Holland the natural increase has steadily increased since 1840–9. Comparing countries we find, for the decade 1871–1880, the annual natural increase per 10,000 in Great Britain 140, in West Austria, Galicia and Bukowina 75. What a low state of culture there must be in Great Britain as compared with those provinces! M. Leroy Beaulieu relies on statistics of birth-rate in several countries in the triennium 1874–6 compared with the corresponding figures for the period 1889–92. But if he had begun sooner and ended sooner the results would have been different. For the three decades 1851–60, 1861–70, 1871–80, six of the countries show a continued progress. M. Leroy Beaulieu's statistics acquire plausibility from the fact that the period 1874–6, which he has selected as one term of his comparison, was a period of particularly high natality in most countries. The more decisive reply is that diminished birth-rate may be attended with still more diminished death-rate. There is, doubtless, this kernel of truth in Leroy Beaulieu's theory that the birth-rate is particularly high among the less favoured classes, as was illustrated by a recent Dutch *enquête* (referred to in the *ECONOMIC JOURNAL*, Vol. VI., p 665).

Other more positive prescriptions having been dismissed, there remain over only the “moral restraint” advised by Malthus and the counsels of the Neo-Malthusians. The former alternative, Mr. Pierson thinks, requires too much from human nature. The latter is not to be hastily rejected as immoral; as if over population were not productive of immorality. The end proposed is good; our judgment about the means should be suspended until an impartial verdict of medical experts can be obtained.

The greater the difficulties in the way of accommodating population to production, the stronger the motive to increase production. Of the immense range of topics thus presented, Mr. Pierson selects two for special consideration: protection, and the tenure of land. He reviews and refutes the principal arguments of the Protectionists. This task of slaying the slain has been made necessary by the recent revival of Protectionist fallacies, which is attributed to three causes. There is first the fall of prices which now, as in the period after the Napoleonic war, swells the cry against free trade. Then the faith in *laissez faire* as part of a “natural order” has declined. Mr.

Pierson, as usual in sympathy with the best thought of his age, holds that the unfettered action of self-interest is in many cases injurious to the public welfare, but in still more cases beneficial; so that the burden of proof rests upon those who propose restrictions. [*Cp. Sidgwick, Scope and Method of Political Economy.*] A third cause is the advent to power of the working classes who believe in Protection as a means of increasing employment. In his refutation of erroneous theories, Mr. Pierson makes good use of a conception which he introduced in his first volume, the price of labour (*arbeidsprijs*) being, as we understand, the monetary equivalent of what Professor Bastable has called, with reference to international trade, the unit of productive power. Passing over all that is well said about bounties and other aspects of the controversy, we come to the chapter on Land Tenure. Mr. Pierson gives a comprehensive survey of the conditions under which land has been held in different ages and countries. The latest English researches are incorporated; but the point of view is cosmopolitan. There could not be a better preparation for a discussion of the nationalisation of the land. This cannot be defended, Mr. Pierson holds, as tending to increased production, but only as a means to more equal division of the produce. Mill's arguments on that head may quite possibly become applicable, if there should be a general rise of rents before another century passes. Still, the financial difficulties of the operation would be formidable. Then the salaries of the public stewards or bailiffs who would be required would be burdensome. These expenses might indeed be reduced by leases of the nationalised lands for 100 years. But who would benefit by the arrangement? Our great-grandchildren. But if we want to benefit posterity, there are more certain ways: *e.g.* paying off the National Debt. In these reasonings it is taken for granted that compensation is to be given to the owners who are to be expropriated. Henry George's plan is rejected as one of the most wasteful forms of confiscation.

It will be understood that we are presenting only samples of Mr. Pierson's reasonings. We still cherish the hope that the work in its entirety will be made accessible to the English reader by being translated into some language more generally familiar than the Dutch. There is a quality in the work which is probably demanded by our public more than much of the home-made article. The *Times* no doubt expressed a national sentiment when reflecting upon Walker's death their leader writer said that he resembled the older classical economists who kept in touch with practical life and had no idea of making their science a collection of refinements remote from the business of the world.

That combination of the man of affairs and the professional economist which has become uncommon in England is to be found in the Prime Minister of Holland.

F. Y. EDGEWORTH

Der Kampf um einen Geistigen Lebensinhalt, Neue Grundlegung einer Weltanschauung. VON RUDOLF EUCKEN. (Leipzig: Veit, 1896. Pp. 400.)

IN his *Grundbegriffe der Gegenwart* (1878, 2nd ed. 1893), well known to many of our readers, Professor Eucken had given us a book somewhat like Cornewall Lewis's *Use and Abuse of some Philosophical Terms*, brought up to date. He analysed, defined, and tracked out historically such current notions as "experience," "law," "development," "organism," "subjective and objective," *a priori* and *a posteriori*. It was a book that well deserved the attention of economists, whose special field has in the last twenty years been invaded, on every side, by philosophical terms.

The present work is mainly constructive. Professor Eucken gives us his own view of human life and its end and aim. In contrast with dull acquiescence in the lot of "the average man" (61), he describes the struggle for a spiritual life, a struggle in which the enlightened man makes conquest of his material surroundings, bends the world to his will, and fulfils his own work.

There is plenty of criticism also, though the critical preparation for the book had been already given in an intermediate volume *Die Lebensanschauungen der grossen Denker, von Plato bis zur Gegenwart*. Professor Eucken owes much of his inspiration to Krause (see p. 132, &c.). His speech on Krause's Centenary, 1881, may be known to some of us.

The passages most interesting to the economist are probably those dealing with the Greek and the modern ideal (the first "aesthetic," the second "dynamic") (110 seq.), and those dealing with History (225 seq.), and Society (229 seq.).

J. BONAR.

Neue Beiträge zur Frage der Arbeitslosen-Versicherung. By DR. GEORG SCHANZ. (Berlin: 1897.)

IT is just two years since Dr. Georg Schanz published his first work on the subject of the Unemployed (*Zur Frage der Arbeitslosen-Versicherung*), in which he propounded a scheme for the compulsory insurance against want of employment of all those who are now subject in Germany to compulsory sick insurance. His proposal has met with numerous criticisms from other German economists, both in respect of the general principles involved and of particular details of the scheme which he had elaborated, and the first chapter of the present book consists of a very full and careful discussion of the objections which have been raised. Interesting as some of these points are, however, from a theoretical standpoint, there is perhaps more light thrown upon the subject in the following chapters, in which Dr. Georg Schanz gives a very clear and impartial account of the systems of insurance against want of employment which have already been instituted in certain

towns in Switzerland, Germany, and Italy, and the amount of success or the reverse with which they have been attended. First in importance of these is the insurance system of the town of St. Gall, which is compulsory for all workmen whose average daily wages do not exceed 5 frs., unless, as is the case with printers, they are maintained when out of work by the funds of their trade association. This law came into operation in July, 1895; but great difficulty has been found in making it effective. It was only after the lapse of several months and the issue of repeated public orders, that the number of workmen who had registered their names in the institution at all approximated to the estimated number of those to whom its regulations applied, and in many cases it was found necessary to inflict penalties upon persons who wilfully abstained from registering themselves. It was only to be expected that a still greater difficulty should arise with regard to the payment of the contributions, which it has been found practically impossible to enforce in all cases. Far stronger evidence of the disinclination of the workpeople to take advantage of the law is, however, to be found in the fact that since its introduction the number of workmen living in the town has sensibly decreased, because they are moving out to the suburbs, where they are beyond its scope. This antagonism is chiefly felt by the superior workmen, who are the least likely to come upon the insurance fund, whilst, as the amounts of their contributions are based upon the rates of wages they receive, they are the most heavily taxed towards its support. It is hardly to be wondered at that the abolition of the system is under consideration, and will probably take place. In Bern, on the other hand, a system of public insurance which is voluntary in principle has been in operation for some four years. This has escaped the unpopularity which has been caused by the compulsory character of the St. Gall system, but has difficulties of another kind to contend with, chiefly of a financial nature. The workmen who take advantage of it are precisely those who are likely to be thrown out of work, and the consequence is that the demands upon the insurance fund far exceed the contributions paid into it by the members, and it must depend upon the voluntary contributions of persons other than members and a grant from the public funds to maintain its existence. Unfortunately the income derived from voluntary donations has fallen off greatly during the last year, and must in any case be of too precarious a character to form a satisfactory basis for financial calculations, so that the stability of the fund is very uncertain. In Cologne a society for insuring against want of employment was promoted by several private philanthropic agencies in 1896. Its regulations are very similar to those of the Bern public fund, and the same difficulties have already been encountered. It seems evident that a fund of this kind cannot in any sense be self-supporting, and that it becomes in fact not so much an insurance agency as a modified system of charitable relief for those classes of workmen who are most often found amongst the ranks of the un-

employed. In order therefore that the fund may not be entirely swamped in periods of unusual distress, provision is made in the regulations of the Cologne fund for putting a limit upon the number of persons who may insure themselves. It is, however, interesting to notice that a labour bureau, which was also promoted in Cologne by voluntary agencies at the end of 1894, has been unusually successful. In 1895 work was found for 56.9 per cent. of the unemployed who applied to it, whilst in 1896 the proportion rose to 75.6 per cent., although the number of applicants had increased. This result, which Dr. Georg Schanz rightly describes as splendid, is attributed by him to the willing co-operation of the various religious, philanthropic, and working men's associations in the town, a fact which may lend point to those recommendations of the recent English Select Committee on Distress from Want of Employment, which lay stress on the necessity for "co-operation between the boards of guardians, workmen's associations, and those responsible for the management of charitable and benefit funds." Dr. Schanz devotes two chapters to an account of the out-of-work funds in connection with workmen's associations in Germany, and of the attitude of the various political parties towards State insurance against want of employment; and discusses at some length the results of the census of the unemployed, which was twice taken in Germany during the year 1895—in June in connection with the census of trades, and in December in connection with the census of the population. In view of the difficulty which has been found in England to attend any attempt to estimate the number of the unemployed, we may observe that Dr. Schanz does not place much reliance upon the accuracy of the results of even this double enquiry, still further elaborated as they were in some places by special investigations undertaken by the towns themselves. They appear, for instance, to be largely vitiated by a want of uniformity in interpreting the expression "unemployed," which in some cases was restricted to those capable and willing to work who were temporarily out of employment, whilst in others it was allowed to include persons who had been for several years without work, and who might be designated as "unemployable." Again, persons who were temporarily incapacitated by illness were sometimes returned as unemployed, whilst others returned themselves as such because they were no longer working at the trade they had learnt, although they had taken up other occupations since. Dr. Schanz's book is a mine of information on all aspects of the problem of the unemployed, and is quite up to date with regard to all its facts.

A. H. BLOMEFIELD

The Millennium of Hungary and its People. Edited by Dr. JOSEPH DE JEKELFALUSSY. (Budapest: 1897.)

THIS work appears to have gone through a double process of translation into German by a Hungarian, and into English by a German; and so to have lost some at least of its original brightness. The most curious instance of the nationality of the last translator is to be found in a "note of translator," on p. 164:—"In Hungarian the letter *j* represents the sound of the *y* in the English word *yet*." The book is divided into twenty-eight essays, which occupy altogether 672 pages. The essays are by Dr. Jekelfalussy and twenty-four colleagues, chosen by Sir Ernest Daniel, the Royal Hungarian Minister of Commerce. They deal with everything Hungarian—from music to agriculture—in a spirit of patriotism so intense that the reader sometimes feels a little nervous about their accuracy. From the standpoint of political economy, the latter half of the book contributes most information with articles on population, occupations, traffic, money and credit, insurance, finance, &c. The student of political science will find much that is suggestive in Professor Ernest Nagg's treatment of the "Constitution of Hungary," and "Hungary's Political Relations to Austria," as well as in the editor's "Relations of the Nationalities." Mr. Alexander Dárday, a ministerial councillor, deals with Hungarian local government in an essay entitled "The Administration"—a question of special interest, since it was the local autonomy of the counties which really saved Hungary from the often-renewed anti-national attempts of the Vienna administration, and earned for them the title of "bulwarks of constitutionalism." There are town counties and rural counties. The expenditure of the former does not strike us as very lavish. "According to the budget of 1895 for the free royal towns, and the towns possessing municipal rights, 28,350,530 florins of income, and 36,456,620 florins of expenditure were computed." There are of these towns twenty six in all, and only the capital—Budapest—with an income of 15,800,000 and an expenditure of 21,600,000 would be regarded by our advanced thinkers as having a sufficiently "progressive" balance-sheet. But the smallness of the budget becomes still more striking when we are reminded that "for quartering the military and building barracks, some counties bear an extraordinary burden of 14–18 per cent," to say nothing of taxes for the making of local railroads. Turning to the article on the Finance of the Central Government, we find some interesting information with regard to the meat tax, and the salt and tobacco monopolies, though it was perhaps unnecessary to state with regard to the latter that, "with the increase of the consumption the manufacture increases" (p. 645). Or are the conditions of Northern Italy (where consumption and smuggling present concomitant variations) regarded by Mr. Alexander Popovics as normal? One is not quite sure about the ethics of some of his financial comments. What, for instance, would our temperance party say to the following:

"Despite the want of this otherwise problematical State support, the beer industry has not to contend with any crisis. It flourishes in Austria, and a commendable advance is to be mentioned in Hungary." The sentiment is almost as bad as the English in which it is conveyed.

Several writers show their interest in the population question, and notice the different rates of increase of different elements in the population. In this respect both religions and races are compared and contrasted. A close connection is shown on pp. 384-386 between the marriage rate and the crops. It would be easy to go on *ad infinitum*, pointing out striking passages or amusing errors; but those who are interested in Hungary will find out both for themselves.

F. W. HIRST

Lo Stato al suo Posto, ossia delle opinioni di Raffaele Mariano, intorno all' Economia Politica e alla libertà. Studio di LORENZO MICHELANGELO BILLIA. (Milano : 1896.)

THE functions of the State, and the limits of State interference, are subjects open to almost endless discussion. Professor Billia, who has already published a number of short treatises upon economic, political, or philosophical subjects, evidently considers that the best way of explaining his own views upon the matter is to dissect and criticise the work of a friend who holds opposite opinions. There is doubtless much to be said for this method, provided that the treatise selected is comparatively well known, and that the critic has something original or interesting to write upon it. But in the present case we fear that neither of these conditions has been fulfilled, for it is probable that Signor Mariano's work is but little known outside the select circle in which Professor Billia moves, while his own views can hardly be regarded as original or striking, or indeed as anything but ordinary and orthodox. Signor Mariano is apparently a disciple of the Hegelian school, and Professor Billia devotes a chapter of his book to expounding and illustrating by means of numerous and lengthy quotations "*l'idea camitica dello stato*," which seems to be Mariano's main theory. The etymology and precise meaning of *camitica* is at present obscure, but its general significance can be gathered from the chapter in question. To this "*idea camitica*" Professor Billia opposes *l'idea liberale*, which is discussed at length in what is practically the central chapter of the book. It is perhaps scarcely worthy of so much space, for though no doubt the views of those who hold it are sound, and, as far as they go, excellent, yet they have all been fully expressed very frequently already. Professor Billia evidently has great faith in quotations—his book indeed is mainly composed of them—and he cites several passages from the Bible, Homer, Adam Smith, and other less famous authorities (some of them have hardly yet been recognised as authorities at all, except by Professor Billia) in support of his position. It might, perhaps, be an advantage, when so many

different authors are quoted, to give the passages in question in a manner which makes reference or verification possible—this view, however, has not been adopted in compiling the present treatise.

When *l'idea liberale* and *l'idea camitica*, as far as commercial or economic matters are concerned, are both satisfactorily disposed of. Professor Billia devotes his last chapter to applying them to the relations of the State with religion and science. Finally, not content with having discussed so large a number of problems, and referred to so many writers—for his first chapter is concerned with the scope of political economy, and its relations to other sciences, while in his second he states and confutes a considerable number of "false accusations against political economy"—he has added three appendices, which have been apparently suggested by passages in the text, but have no particular connection with the body of the work.

The book will probably be of interest to those who are concerned with the "scuola camitica" and its opinions; it will certainly furnish them with a store of quotations wherewith to confute its doctrines—but apart from that somewhat limited circle, we fear that not much value can be attached to the treatise.

L. ILBERT

Speculation on the Stock and Produce Exchanges of the United States. By HENRY CROSBY EMERY, Ph.D. (Faculty of Political Science of Columbia University). (New York: 1896.)

THIS book has two conspicuous merits. It is thorough and it is fair. The writer has taken the trouble to acquaint himself thoroughly, as often as possible at first hand, with the structure and working of the principal Stock and Produce Exchanges of the New World and the Old, and he discusses the effects of modern speculation in an eminently fair spirit. If, in weighing the arguments for and against speculation, his summing up is more favourable to the speculator than some of his readers would be disposed to make it, it is clearly not from any bias, but is the result of a carefully formed opinion, and therefore entitled to consideration. Possibly if we ourselves belonged to a State in which speculation played so large a part in commerce and finance as it does across the Atlantic we might share Dr. Emery's views.

The most attractive part of this work to most readers, however, will not be its controversial side. That had to be dealt with, of course. To write a work on speculation without discussing the economic and ethical problems which speculation involves would never do, so these are duly considered. But that kind of thing we can obtain elsewhere, otherwise quite a considerable section of German economists would have lived in vain. The present treatise will not be studied for its theories, but for its facts. How came the great speculative markets to assume their present highly organised forms? What are the precise

processes by which speculation in stock and produce is carried on? In what respects do the methods of the new world differ from those of the old? These are a few of the questions which a glance at the title page of such a work as this suggests, and in reading the work itself we get the answers.

Dealing first in a general way with the traffic in securities, Dr. Emery calls attention to the marked differences which exist in various countries in the matter of Government and municipal supervision of the exchanges. He points out, for example, that whilst in the States and in Great Britain the Stock Exchanges are private and voluntary associations, controlled by no special legislation, making their own rules, and subject only to the laws which regulate business transactions in other departments of affairs, the bourses of the Continent exist only by special legislation, and are subject to a more or less stringent control. This control is sometimes municipal, as in Belgium; sometimes imperial, as in Austria. It is sometimes almost unexercised, as in Holland, and sometimes exercised in the minutest matters of detail, as in Paris, where the *Agents de Change* are practically officials appointed by the Government; in Berlin, where the governing body of the Bourse has to carry out the directions of the Prussian Minister of Trade; and in Vienna, where the approval of both the Minister of Trade and the Minister of Finance is needed before any rules can be either adopted or revised. Whatever form it may take, we are reminded, the supervision in these European centres is real, and constitutes a striking illustration of the difference between Anglo-Saxon ideas and the ideas of other races.

A consideration of differences of this kind occupies the introductory portion of the treatise, but the author soon grapples with his subject more closely. He describes in detail the constitution and working of such representative institutions as the New York Produce Exchange, the Chicago "Board of Trade," and the New Orleans Cotton Exchange, where wheat, provisions, and cotton are respectively dealt in. The development of the warrant and grading system, which alone renders possible dealings in futures on a large scale, is traced; the technical expressions of the markets are put into ordinary English; and a typical speculative operation in wheat on the New York Produce Exchange is described from beginning to end, the forms used at the various stages of the transaction being given *in extenso*, and the method of settling differences through the clearing explained. A similar description is given with regard to the American Stock Exchanges, particularly that of New York, where the jobber is unknown, and where there is no such thing as the process familiar to us as buying and selling "for the account," each day being a settling day for the transactions of the day before. There is much force in the arguments by which Dr. Emery upholds the superiority of the American daily settlements over the London fortnightly settlements system, but one is sorely tempted to join issue with him on the question of the utility of the jobber. The

main argument by which he attacks the jobber presupposes an active market. Given such a market, we will readily admit that the American system is at any rate equal to our own. It is when, as so often happens, there is not such a market, that the utility of the jobber becomes apparent, and that he and his colleagues are seen to be anything but the "cumbersome and unnecessary duplication of middlemen" that Dr. Emery tells us they appear to the American mind.

The temptation to go into this question must be resisted, however, in order that some attention may be given to the next division of the book. In this the economic function of speculation is discussed. At first we are at a loss to know what view the writer is going to take on this important branch of his subject, for he begins by stating the extreme views on both sides, from that of C. W. Smith in *Commercial Gambling*, to the effect that "the option, future, and settlement systems have entailed gradual misery and ruin on all classes," to that of Courtois, who goes to an equally absurd length in the other direction by saying, "Que de bienfaits la spéculation engendre, que de richesses elle crée ! Les Bourses élèveront là niveau de la moralité ; si elles ne rendent pas les hommes parfaits, elles amélioreront à l'état de liberté le sort de l'homme ici-bas." Before indicating his own position in relation to the opposing views of which these are extreme specimens, and by way of clearing the ground, the writer gives a brief but clear account of the gradual economic changes which have given rise to organised speculation, showing how in the course of time the speculative class has become differentiated from the trading body by a kindred process to that which had previously differentiated the latter from the producing class. "Whereas formerly each man bore his own risks, a new class is arising to relieve him of those risks. Instead of all traders speculating a little, the special class speculates much." His historical retrospect ended, Dr. Emery has no further hesitation in declaring his opinion. He regards the existence of a speculative class not only as a necessary, but as on the whole a beneficial, accompaniment of increased trade. The main function of speculation, he holds, is to relieve trade of the risks of fluctuating values by providing a class always ready to take or deliver a property at the market price, thereby directing commodities to their most advantageous uses and the investment of capital into the most profitable channels. This statement of the advantages of speculation is not too strongly put. The only fault one has to find is that while the writer shows a very just appreciation of the advantages of speculation, he does not attach sufficient importance to the evils arising from the practice.

One of the best chapters of the work is that—still under the same heading—which deals with the effect of speculation upon prices. It is very difficult to say anything fresh on this point, for were we not all taught long ago that the main effect of speculation in this direction is to prevent extreme fluctuations? The services which Dr. Emery renders here are these—he deals very ably with the mitigating effects

of speculation during the earlier and later stages of panics, and he combats effectually, both by arguments and figures, the idea which found expression in so many forms during the "Anti-Future" debates in the German and United States legislatures to the effect that dealings in futures necessarily tend to depress prices.

To readers on this side of the Atlantic the later chapters of the treatise will not be found quite so interesting as those which precede them. The accounts given of the recent anti-future legislation in Germany, and the attempted legislation on the same lines in the States, are worthy of attention, but the average English reader can scarcely be expected to follow in detail the painstaking review here presented of typical legal cases, arising out of speculative transactions, which have come before the American courts. The greater part of the work, however, will be found as useful here as in the country of its origin. With the treatment of the subject there is singularly little fault to find. In the less important matter of style, the author would do well in future not to make so free a use of German expressions. There are exact and concise English equivalents for such words as "Termin" and "Konjunktur," and for such expressions as "preis-bildende Kraft."

F. E. STEELE

NOTES AND MEMORANDA

THE UNITED STATES TARIFF ACT OF 1897.

FOR the third time in the short space of seven years, the tariff of the United States has been completely remodelled; and for the second time in three years its general policy has been completely revised. In 1890 the McKinley tariff strengthened and even exaggerated the policy of high protection which had prevailed for a generation. In 1894 the Wilson Tariff Act made a considerable reduction of duties, with an avowed intention in the party then dominant to move away from the policy of protection. Now in 1897 the Dingley Tariff Act once more reaffirms the policy of protection, and in some ways carries it even farther than did its predecessor of 1890.¹

All of these successive measures are closely connected with the general political situation, and with the elections immediately preceding their enactment. The Act of 1890 was passed at the first session of Congress after the election of 1888, when President Harrison was chosen to succeed the advocate of tariff reform, President Cleveland. That of 1894 similarly was passed after the second election of President Cleveland and the defeat of President Harrison in 1892. That of 1897 follows the election of President McKinley and the victory of the Republicans in 1896. The legislation of the present year has come even more promptly after the general election than was the case with its predecessors. Instead of waiting for the regular session of Congress in 1897-98 (the session which is to begin in December of this year), President McKinley called an extra session of Congress immediately on his inauguration, and at that extra session, with the greatest possible despatch, the new tariff measure was passed.

¹ Popular phrasology attaches to each of these measures the name of the Chairman of the Committee on Ways and Means in the House of Representatives for the time being. Mr. McKinley was chairman in 1890, Mr. Wilson in 1894, Mr. Dingley in 1897. Each measure, however, was much modified by the legislature, after presentation by the respective committees, and no such responsibility for the details of the measures is chargeable to the committees or the chairman as would be chargeable, under analogous conditions, to the British Cabinet or the Chancellor of the Exchequer.

Notwithstanding this exceptional promptness, the Act of 1897 rests much less clearly on an expression from the popular will than the earlier measures. The election of 1896 turned on the monetary question, not on the tariff question. If its first fruit nevertheless was a new tariff measure, this result is to be ascribed to the general overturn of political forces and combinations brought about by the contest between gold and silver. Briefly stated, the course of events has been as follows. Before the campaign of 1896 the Republicans had not been desirous of making the issue on the gold and silver question. Their candidate, it had been practically settled, was to be Mr. McKinley, and their campaign cry was to be "Protection and Prosperity." But in the Democratic party the silver element triumphed, nominated Mr. Bryan on a free silver platform, and contemptuously shoved aside the tariff issue. The Democratic nomination came first; they forced the fighting, and compelled the Republicans, standing on the defensive, to proclaim for the gold standard. On that issue the election was fought, and the Republicans triumphed. But though they elected their President and a strong majority in the House of Representatives, the Senate, whose composition under our political system can change but gradually, remained nearly evenly divided on the money question. The leaders of the Republicans, and more particularly Mr. McKinley, had from the outset been desirous of laying the greater stress on the tariff. They found themselves face to face with a difficult situation in the Senate. The condition of the Treasury, with a considerable current deficit, called for revenue legislation of some sort. Hence they were easily led to devote the extra session solely to the tariff; on this their party was united, on this they felt sure of securing ready action, and this after all was their first love. And so, oddly enough, the immediate outcome of the election of 1896 was legislation, not on the subject which had been mainly before the people, but on the subject which had been displaced and had apparently become an issue of the past.

These circumstances, which explain the enactment of the new Tariff Act, serve also in large part to explain its characteristics. While affirming the policy for which the Republican party in late years has stood, and while passed with unusual promptness on the ground of urgent treasury need, it is designed also to conciliate various sections of the community to which the free silver party had held out a bait, and which it was desired to bring back within the Republican party fold. The silver party had made a strong appeal to the farmers of the central West, and had of course had its stronghold in the mining states of the far West. Various provisions in the Act, to which attention will be called presently, are designed to give to the agricultural states and the mining and ranching states a share of the blessings of protection. But, when all is said, there remain other provisions not to be ascribed to the unexpected and embarrassing political situation with which the Republicans were confronted. In a considerable number of cases the protective system was extended solely for the sake of protection. On

a good number of manufactured commodities in which the states politically doubtful had no concern, a ready and even effusive welcome was extended to demands for higher duties. Evidently the defeats which the Republicans had suffered at the polls in 1890 and 1892, when the issue was the policy of protection as embodied in the McKinley Tariff Act, had not convinced the leaders that extreme protection was unpopular.

One other aspect of the political fencing deserves to be noted. In the campaign of 1896, the silver party had posed as the friend, not only of the farmer, but of the labouring man and of the down-trodden masses. The Republicans of course had maintained that they, too, were solicitous for the labouring man's welfare, which they proposed to promote by high duties as a means of maintaining high wages. What may be called the pauper labour argument for protection—"protection for American labour" is the favourite catch-word—has been the burden of their song for half-a-century; and it was shouted with redoubled vigour as an answer to the appeals of the silver men in 1896. In fact, it has become almost an axiom that every producer is entitled to such duties as are needed to "equalise the labour cost" in the United States and in countries of lower money wages. Hence a generous willingness to aid any and every employer who alleges that, unless he is bolstered up by higher duties, he cannot pay his workmen American wages and still compete with the pauper labour of Europe.

Four years ago, when describing in the columns of this JOURNAL the Tariff Act of 1894, I was so rash as to predict that the free admission of wool, provided for by that measure, was a change which had come for good. The common fate of prophets has overtaken me; in the Act of 1897 the duty on wool has been restored. Not only that, but the rate is even (on some grades of wool) higher than in the Protective Act of 1890. That earlier measure had already increased the duty on wool. Now it goes one notch farther up. The amount of change was not great in either case, and in the Act of the current year the advance is mainly on the cheaper grades of wool known as carpet wool. But even when regarded as the simple reimposition of the duties which had been abolished (temporarily as it proves) in 1894, the new duties on wool are the most significant in the whole measure. The rate is 11 cents a pound on clothing wool, and 12 cents on combing wool. The distinction between these two grades of wool is largely artificial, and maintains itself chiefly by force of tradition on our statute book. On either grade, the duties are high; compared with foreign prices of wool, the rates are equivalent to 50, 60, and sometimes even to 80 and 100 per cent.

It must seem surprising that a great industrial country like the United States, alone among civilised nations, should retain a duty on this most important raw material. It must seem more surprising when we consider that imported wool is unquestionably needed for a great

manufacturing industry; while the agricultural population, so far from having ordinarily to meet foreign competition on its own ground, is the dreaded competitor of the farmers of other countries. Yet the retention of the duty is the logical outcome of the policy of all-embracing protection. When protection is advocated, not on the ground of careful nurture of promising new industries, not on the ground of a diversity of pursuits desirable for social and political reasons, not on the ground of political and military independence, but because of the general largesses which it is alleged to distribute, because it stimulates domestic industry and raises all wages and all profits, and prevents unnecessary tribute to the foreigner for payment of expensive imports,—then in consistency it becomes impossible to say “no” to any domestic producer, unless he be obviously out of court because of insuperable climatic obstacles. And this is the position which the Republican party has taken. Everything which can be produced within the country is to be produced, and the importation of only those things is to be permitted which a physical obstacle prevents the home producer from undertaking. Hence we find in the Tariff Act protection not only for the wool of the West, but for the oranges and fruits of California and Florida, for the hides of the cattle-raising states; we hear much talk of the advantage which a higher duty on sugar will bring in stimulating a domestic beet-sugar industry; and we find an open ear, even though for the moment no action, for suggestions that climatic obstacles after all may not be insuperable, as in the case of tea. When it comes to wool, this general cordial welcome among the dominant protectionists to any and every plan for stimulating a domestic industry, becomes still warmer, because here is a counter move against the Democrats. The silver party had posed as the special friend of the agricultural producer. By raising the duty on his wool, the Republicans present themselves as also fostering friends.

While there is a duty on wool, intended for the benefit of the farmer, that duty will almost certainly inure chiefly to the advantage of the ranchmen of the more distant western states. In the United States, as in the rest of the world, sheep-raising and cattle-raising, under modern conditions of transportation, tend to be transferred in large part to semi-arid regions where settled agriculture is not possible. For Europe this tendency brings it about that distant countries like Australia, Argentina, the Cape of Good Hope, become great sources of supply for meat, wool, hides. In the United States the same tendency shows itself, partly in similar trade with the countries mentioned, and partly in the development of ranching industry on the great plains in the far west of our own country. The effect of the tariff restrictions will doubtless be not that wool-raising will be much stimulated in the farming regions proper, but that international trade (such it is in the one case as much as in the other) will be deflected to the ranching regions within the country rather than without the country. The economist may infer with confidence that the geographical division of

labour would be more advantageous without these restrictions than with them ; but this is a stage in the analysis of the situation which the staunch protectionist cannot be expected to reach. So far as the gain to the ranching states was concerned, this was frankly admitted, and indeed was one of the important political factors bearing on the new Tariff Act. The Senators from these states hold something very like the balance of power in the evenly divided Upper House, and their support was bid for. Particularly high duties were imposed on the coarser kinds of wool, classified as carpet wool, whose importation was supposed to interfere more especially with the wools produced in their states. A duty, new in our tariff history, was also imposed on hides, again by way of protection to the cattle ranchers. It is difficult to justify this extraordinary imposition ; but it is easy to explain it. It is a logical outcome of the policy of all-embracing protection ; and it is a sop to states politically in doubt.

With the revived duties on wool comes once more the elaborate system of compound duties on woollen goods ; sufficient both to compensate the woollen manufacturer for the high charges on his raw material, and to give him, over and above such compensation, substantial protection on his own account. For more than a generation this result has been aimed at, in our Tariff Acts, by a combination of specific and *ad valorem* duties on woollen goods ; the specific duties being supposed to be simply compensatory, while the *ad valorem* duties afford independent protection. In the main, the result here is a return to the duties on woollen goods as they were fixed in the McKinley Act of 1890. Yet there is some upward trend. On the classes of cloths and dress goods, which have been most largely imported, the *ad valorem* or protective duty creeps up from 50 to 55 per cent. The total duty on these goods, specific and *ad valorem* (*i.e.* compensatory and protective) combined, is in most cases nearly 100 per cent., and in some cases considerably exceeds 100 per cent. Protection is applied with no faltering hand.

In other directions also there is an unhesitating maintenance of the protective policy, and an extension of it where previous legislation had permitted importation on a large scale, and domestic producers promised that under "proper encouragement" they could supply the market. Thus the duties on silk goods are changed from *ad valorem* to specific form, and in the transformation become appreciably heavier. Certain linen goods also are subjected to specific in place of *ad valorem* duties ; and here too the change brings a substantial advance. On cotton manufactures the changes are of less moment than on other textile fabrics.

On the other hand, the cruder forms of iron and steel are admitted at lower duties. The extraordinary change which has taken place in the United States within the last ten or fifteen years in the conditions of iron production, have been so much discussed of late that it will suffice to note their bearing on our tariff legislation. Production has advanced at a portentous rate ; and from various causes, little con-

nected with tariff legislation, the expenses of production have been lowered and prices have fallen. Protection, which was clamorously demanded twenty years ago, is now felt to be little needed. Wool has displaced iron as the centre of the protective controversy. The cruder forms of iron and steel are not likely to be imported into the United States, except in scattered quantities, under any circumstances. Duties on them are retained in the new Act, largely for form's sake; but they have been somewhat reduced. The changes probably signify little more than so many changes in the figures on the statute book. On the other hand, a slight increase is made in the duties on minerals in the crudest form of all, namely, on iron ore and on coal. As to these, geographical proximity tends to bring about importation in certain outlying districts which happen to be far removed from the main domestic sources of supply. It might seem to be rational to allow the geographical situation to work out its effects undisturbed, and to permit coal and iron ore to be secured from whatever spot might happen to be most handy. But the severe logic of consistent protection steps in and declares that here, as elsewhere, the domestic producer, and he alone, should have control of the domestic market.

A considerable place in popular discussion has been taken by the duties on sugar. The so-called Sugar Trust, which has practically a monopoly of the sugar refining industry, is perhaps the best known of the industrial combinations. Each of the political parties has been in the habit of charging the other with giving aid and comfort to the monopoly, through protection on refined sugar; and each party has had sufficient grounds for making the charges. When the Tariff Act of 1894 was passed, much was made of the retention of the differential, that is higher, rate on refined sugar than on raw sugar; though in this respect the Act of 1894 went no farther than its predecessors—in fact did not go so far. In the present Act, the duty on raw sugar is considerably advanced, while the additional or differential duty on refined sugar remains where it was. The increase in the duty on raw sugar is designed mainly to bring to the Treasury a much needed increase of revenue. Oddly enough, a great deal is also said of the stimulus which it will give to the beet-sugar industry in the United States. It is obvious that so far as the domestic production of sugar from beets extends, the financial gain from the import duty will be lost. But the talk about beet-sugar is largely sentimental. Outside of California, where some considerable experiments have been made, the beet-sugar industry is in the very earliest stages. It is questionable whether it will attain any growth for a long time to come, and at all events the additional duty on raw sugar may be relied upon to yield the expected increase of revenue for as long a time in the future as it is possible for financial legislation to provide for.

Last among the provisions of the Act, should be mentioned some tentative and unpromising movements towards reciprocity. These appear in two forms. In the first place, the President is authorised

to suspend the free admission of certain articles, of which tea and coffee are alone of much importance, if it appears that other countries sending these articles to the United States impose duties that are "reciprocally unequal and unreasonable." He is also authorised to suspend certain duties imposed in the Act, and to replace them by lower duties "after securing reciprocal and reasonable concessions" on the part of the countries whence these articles come. These reductions may be applied to argol (crude tartar), brandies, champagne, wines, paintings, statuary. The list indicates clearly enough the country here aimed at—France. It seems to be feared that France may resort to reprisals for the higher duties on her silks, and the United States so adjusts her duties as to be prepared in advance to offer reductions, in return for the maintenance of the *status quo* on the part of France.

Of wider scope, but so limited as probably to be quite without effect, is the second move towards reciprocity. The President may conclude treaties, providing for general reductions of duty, up to 20 per cent., from those imposed by the new Act. But these treaties must be made within two years after the passage of the Act, must be limited to a term not exceeding five years, and must be approved by the Congress of the United States. It is highly improbable that with these limitations they will result in any arrangements with foreign countries.

On the whole, the new Tariff Act is a source of sad disappointment to those who hoped to feel in our political life a new breath, a fresher air, after the storm of 1896. As a matter for legislative disposal, the tariff question in the United States must be, not whether there shall be protection or free trade, but whether there shall be more or less extreme, more or less universal protection. Most cool-headed persons would say the system had been carried far enough; and this seems to be the view even of good Republicans, loyal to the protection principle, but sceptical whether it has not been carried too far. New and burning questions are coming to the fore; the silver question first, and behind it social questions of wide import. So far as the first step goes, the party leaders seem disposed to cling to their old battle-cry, protection to American industry and to American labour.

It is true that the Congress elected in 1896 has held only the short extra session, and that no serious effort was made to attend to anything but the tariff. It is intimated that the monetary problem will be taken in hand at the regular session beginning this month (December, 1897). It remains to be seen whether any steps will then be taken towards that reform in the currency system whose need every cool observer must admit, but which the Republican leaders hitherto have been disposed to pooh-pooh. Meanwhile, to repeat, the new Tariff Act is sadly disappointing, not only from the fact that it was the sole outcome of the first opportunity for legislation, but from the manner in which it was passed, and from the nature of its provisions.

F. W. TAUSSIG

WEST INDIAN SUGAR.

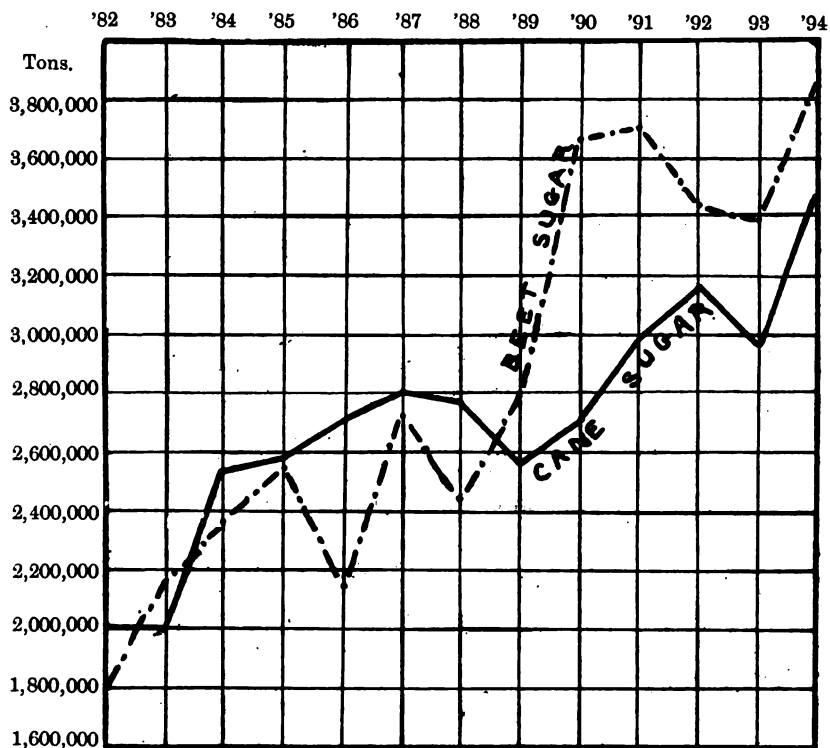
THE crux of the West Indian sugar question is the system of continental bounties on the production or export of beet sugar. That statement does not necessarily mean that there would be no troubles in the West Indies if there were no continental bounties, but it does mean that if there were no bounties we, in England, should hear very little of West Indian troubles. If, for example, the admitted distress in some of the West Indian islands could be attributed solely to labour troubles, or to bad seasons, or to over-production under normal economic conditions, the colonists would have no cause at all for the kind of appeal which they are now addressing to the mother country. They might possibly present an appeal for temporary financial help, but that would be rather a matter for the Mansion House than for Downing Street. What they are now asking is a much more serious matter. They ask that the United Kingdom should make an important change in its customs tariff for their sole benefit, and such a request, in view of the relative importance of the two units affected, would be inconceivably presumptuous were there not strong special reasons to excuse it. Those special reasons are to be found in the system of continental bounties. Germany, France, Austria, Russia, Belgium, Holland, all pay bounties, varying in amount, on the production or export of sugar made from beet-root, and the sugar so subsidized comes into competition with West India sugar, and tends to lower the price. This is not fair business, the West Indians complain, and go on to assert that it is worth England's while, or is at any rate England's duty, to make some sacrifice in order to put down this unfairness, and save the West Indian colonies. Such an appeal must necessarily attract a good deal of sympathy in England, and, therefore, may excuse an otherwise presumptuous demand. The bounty system is obviously unfair in the sense in which we understand, or profess to understand, the practice of free competition. It may also be admitted, as the West Indians are fond of insisting, that the bounty system is a violation of the principles of free trade. But neither admission carries us very far. It is not England's duty to run a tilt against every unfairness in the world; while if we actively resented every foreign violation of the principles of free trade, we should be engaged in commercial warfare with the whole of Christendom. The discussion will, therefore, be simplified if we let these epithets alone. The real question is whether it is England's duty, taking all the circumstances of the case into account, to alter her customs tariff for the benefit of the West Indian sugar planters.

In considering this question, the first point to ascertain—if it can be ascertained—is the extent of the damage that the bounties actually do. The advocates of the planters are in the habit of talking and writing as if the whole fall in the price of sugar were due to the

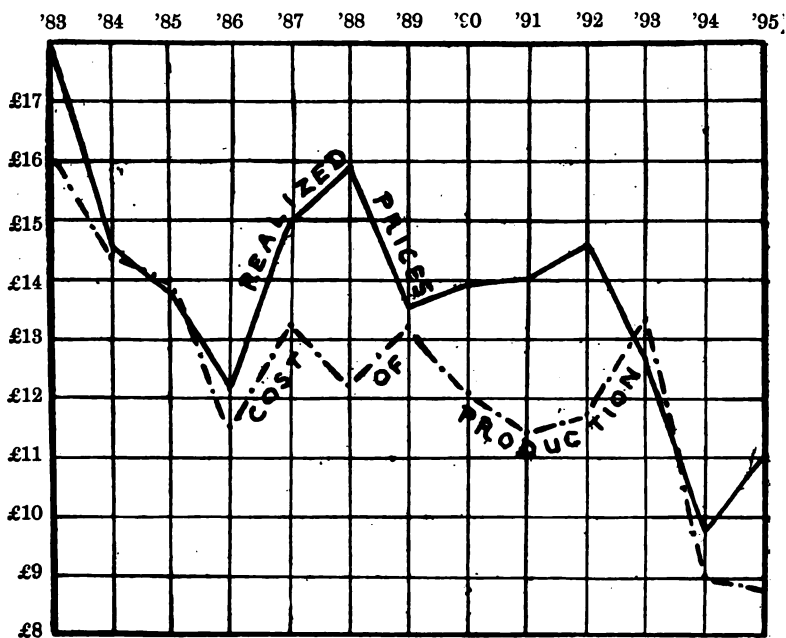
continental bounties. On no theory of prices will this supposition hold water, for, whereas the principal bounty paid on beet sugar, the German bounty, was, till last year, only 12*s.* 6*d.* a ton, the fall in price has been about £8 a ton. Meantime the cost of producing cane sugar has also fallen about £8 a ton, while the production of cane sugar has very greatly increased. For simplicity, it may be assumed that the readers of this JOURNAL accept the theory that prices are ruled by the law of supply and demand. As a matter of fact this law is the practical working rule of the men whose speculations make the price of sugar. The first thing a sugar speculator tries to ascertain is how much sugar is likely to be raised in the next sugar "campaign." If a big crop either of cane or beet is expected, prices go down; if a shortage is expected, prices rise. The realised results may, of course, disappoint the speculator, but the principle upon which the prices are regulated by the men who work the market remains the same. If that be accepted, it follows that a bounty on production can have no effect upon price except so far as it increases the actual or probable supply, and that any other cause which increases the supply to the same extent will have the same effect on price. For example, if the German Government suddenly increased their bounties, as they did last year, and if, simultaneously, the French sugar crop utterly failed, the German manufacturers of sugar would not sell their product any cheaper because of the increased bounties. They would hold out for the rise in price, which the failure of the French crop would certainly induce, and would add the whole of the bounty to their bank balances.

It is necessary to state these elementary propositions, because so many disputants in the controversy have loosely argued as if the existence of a bounty reduced prices by the actual amount of the bounty paid. All that we can say with certainty of a bounty is, that it acts as an inducement to increased production, and so tends to reduce prices. Labour-saving or material-saving inventions have exactly the same effect, while, in the case of sugar, favourable weather is temporarily more important than any new invention. These different propositions will be better appreciated after an examination of the two diagrams which follow. The first diagram shows that while the production of beet-sugar, stimulated by the bounty system, has been increasing enormously, the production of cane sugar has lagged little behind. It is, therefore, absurd to attribute the whole fall in the price to beet-sugar. The figures upon which the diagram is based are taken from the report of the Royal Commission, and are not there carried beyond 1894. Probably the figures for 1895 and 1896 would show beet-sugar still forging ahead, but cane sugar declining owing to the war in Cuba. These additional figures, however, would not destroy the general argument that the producers of cane sugar must share with the producers of beet-sugar the responsibility for the fall in price of both. The second diagram deals with cane sugar only and shows how

Annual Production of Sugar : Beet and Cane compared.



Cane Sugar. Prices and Cost of Production compared.



realised prices compare with the cost of production. The figures are taken from a return of the operations of the Colonial Company in British Guiana and Trinidad, supplied to the Royal Commission by Mr. Neville Lubbock, Chairman of the West Indian Committee. The general downward tendency of the cost of production is mainly due to the discovery of improved methods of manufacture; partly to a reduction of wages. The fluctuations in the cost of production can only be due to variations in the crop owing to the nature of the seasons. The movement of prices is, of course, due to causes outside the estates of the Colonial Company, but the diagram shows that this Company made a bigger profit in the last recorded year, a year of very low prices, than in the first recorded year, which was also the year of highest price. Further figures supplied by Mr. Lubbock suggest that the Colonial Company is still largely increasing its output of sugar.

All this the better informed West Indians generally admit, but they argue that though the opening up of fresh tropical countries to the production of cane sugar has helped to bring down the price, the bounty system is the last straw that breaks their backs. We need not here discuss the attractive fallacy in this favourite "last straw" argument; it is more important to consider whether there is any probability that the abolition of continental bounties would remove the small additional weight, which is supposed to be so fatal to West Indian vertebræ.

And at once we are met with the fact that the continental country which pays the lowest bounty grows the most sugar. The three great sinners on the sugar market are Germany, France and Austria. Till last year the German bounty was 12s. 6d. a ton, the French £2 18s., and the Austrian approximately the same as the French. Yet Germany produced in the last recorded year twice as much sugar as Austria and two and a half times as much as France. Since August, 1896, the bounties of all three countries have been raised, but the old proportions have been roughly preserved; Germany now paying 25s., France £4 10s., and Austria about as much as France. The actual figures of the production for the year 1896-97, as estimated in Licht's *Monthly Circular*, are:—

Germany	1,845,000 tons.
Austria	950,000 ..
France	750,000 ..

These figures conclusively prove that the money bounty is not the most important element in determining the production of beet-sugar. It is, for example, notorious that Germany supplements her small money bounty with other privileges in the way of cheap railway rates and steamboat freights. But the true explanation of the above apparent paradox, that the country with the lowest bounty produces the most sugar, is to be found in the fact that beet-sugar is only a by-pro-

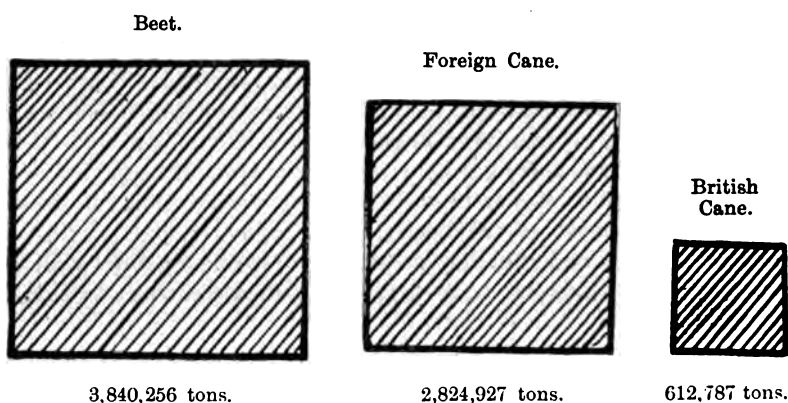
duct. After the sugar has been extracted from the beet at the central factory, the remaining pulp is returned to the growers, and is used by them to feed their cattle. Of the two products, the sugar and the pulp, the latter under present conditions is the more valuable; that is to say, the German beet-root grower attaches more value to the pulp that he gets back from the factory than to the money that he receives for the sugar. This statement is made on the authority of a large grower of beet-root in Germany. Its force, however, clearly depends on the relation of prices. If sugar were to rise in price while beef declined, the statement would probably cease to be true. On the other hand, if beef rose very greatly in price the beet-root grower could afford to part with his sugar at even lower prices than at present. As soon as this fact is realised, it will be seen that the bounty question sinks into comparative insignificance. Any cause that sends up the price of beef in Germany, as, for example, a protective duty on foreign meat, must tend to lower the price of sugar.

It is impossible to deal with such a complicated situation as this by any retaliatory tariff. If Great Britain imposed, as the West Indians wish, a duty of 25s. a ton on all sugar coming from Germany to countervail the German 25s. bounty, the German Government would probably at once express its willingness to remove the bounty. At the same time it would make good the loss to the German sugar industry, either by direct subsidies to the beef industry, or by a further protective tariff for the benefit of the beef-growers, or by the free carriage of artificial manure, or by further subsidies to steamships and railways carrying sugar. Against such devices, which are already to a large extent adopted by the German Government, we are powerless. In other words, the idea of a countervailing tariff must be abandoned, because we do not know, and cannot know, what it is we have to countervail. Nominally the German bounty is little more than a quarter of the French; in reality it may be twice as great. We have no possible means of measuring its actual amount. It is worth noting, too, that if we attempted to lay down the principle that all bounty-fed sugar must be taxed, we should have to impose a tax on sugar coming from Trinidad, British Guiana, and Queensland, because each of these colonies pays an indirect bounty on the production of sugar.

If, however, we abandon the idea of a strictly countervailing tariff as impracticable, it would still be possible for us to say to Germany and France and Austria—"We know you are subsidising sugar, though we cannot tell the exact value of the subsidy. We shall therefore impose a specific duty on all sugar that you send us." The practical objection to that course is, that it would mean the destruction of the whole series of "most favoured nation" clauses in our various commercial treaties. Germany, France, and Austria have a right to send us sugar, and other commodities, on as good tariff terms as any other country. Therefore, if we imposed a specific duty on their sugar we should either have to abandon our commercial treaties,

or to impose an equal duty on sugar coming from all other foreign countries. The first alternative may be dismissed; the second is less serious, but is still a fairly large order. The West Indies are in the habit of talking as if they and the continental beet-growers divided the world's production of sugar between them. As a matter of fact *only one-fifth* of all the sugar imported into the United Kingdom comes from the West Indies; another fifth comes from other British possessions, Mauritius, Natal, India, Queensland; three-fifths come from foreign countries. When we pass from the British import to the total production of the world, British possessions make even a poorer show. Messrs. Rueb and Company's estimate of the world's production of sugar in 1894 shows that British possessions were only responsible for something *less than one-ninth* of the total crop. The figures are illustrated in the following diagram. In the face of such figures as

The World's Production of Sugar in 1894.



these it is impossible to argue that it is England's duty to tax all foreign sugars for the benefit of the small quantity grown under the British flag.

These considerations are sufficient to show that we cannot compel continental countries to abandon their bounty system, and that we cannot in practice countervail their real as distinguished from their nominal bounties. But even if we could accomplish these impossibilities, it is doubtful whether the West Indies would be very much better off. Sugar is now produced all over the world, and the area of cultivation is rapidly extending, while he would be a bold man who would suggest that finality has been reached in the economy of production. It is, therefore, by no means certain that the entire cessation of the continental bounties would appreciably ease the West Indian planters. It would always pay the French and Germans and Austrians to sell beet sugar cheap, because of the high value of the pulp as a cattle food; it will, for many years to come, pay capitalists to open up fresh tropical or sub-tropical countries to the production of cane sugar.

Cuba alone, as soon as the present war is ended, will probably turn out more sugar than all the British West Indies combined, and if, as seems likely, the United States succeeds in obtaining some direct political interest in Cuba, the American market will probably be closed entirely to British grown sugar.

Surely then the right course for the British West Indies is to get rid of the sugar industry as quickly as possible. It is doubtful whether that industry would ever have reached its present development in these islands under normal conditions. It was founded upon slavery, and it has been maintained under labour conditions as nearly approximating to slavery as British law would allow. The sugar planters have set their faces against the creation of an independent working population, and they have, until quite recent years, steadily resisted the establishment of new industries lest labour should be drawn away from their estates. At the same time, to supplement the negroes, they have imported indentured coolies from India, part of the expense being borne by the colonial governments. Doubtless the planters have treated their coolies and negroes with every kindness, but an industry which can only be kept going by such exceptional contrivances is not one that we need go out of our way to encourage. Nor is there any ground for the belief that the West Indies are entirely dependent upon the sugar industry for their prosperity. Of the total export trade of these colonies, only one-half is represented by sugar. Jamaica, which is larger than all the other islands put together, has almost emancipated herself from sugar and is prospering exceedingly in consequence. The little island of Grenada has abandoned sugar entirely. The important island of Trinidad is beginning to develop a cocoa industry. She might also with advantage grow her own fresh fruit and green vegetables instead of importing them from Venezuela. British Guiana with her immense area of rich virgin soil has boundless possibilities, which are not likely to be developed until the colony shakes itself free from the sugar incubus. In Barbados, Antigua, and in one or two other islands the prospects of speedily finding substitutes for sugar are less hopeful, and on that ground these islands may fairly ask the mother country to give them temporary help, financial and administrative, till they have tided over the transition period and obtained a sounder economical position. In that way we can really help them at a cost to the British taxpayer which, though considerable, would be measurable and defensible. On the other hand, any attempt to countervail continental bounties would involve a charge upon the British consumer of sugar, which probably would far exceed the whole West Indian interest at stake, and which certainly would bring no permanent prosperity to the West Indies.

HAROLD COX

STATE RAILWAYS.

By the irony of fate, within a few months of the publication by the official *Archiv für Eisenbahnwesen* of an article endeavouring to prove by statistics—not perhaps over successfully—that the Prussian State railways were the safest in the world, a series of accidents unexampled in frequency and severity has created a veritable “scare” among the Prussian travelling public, and the newspapers have been filled with recriminatory articles and letters, and scarcely less voluminous official explanations and apologies. Attempts have not unnaturally been made in Germany to discredit State management as such by contrasting the safety of travel on the private railways of France and the Government railways of Prussia respectively. But the argument, which, by the bye, was turned the other way round by the French newspapers on the occasion of serious accidents in France not so long ago, carries no real weight. For, though in the absence of uniform statistics it is impossible to speak with absolute certainty, there seems no reasonable ground for doubting that the safety on the State railways of Prussia is at least as much greater than that on the private railways of the United States, as it is less than that attained on the private railways of the United Kingdom. There is for all that a real moral to be drawn. We have experience in our own English post office of the tenacity with which the Treasury persists in regarding what in its origin and intention is a public service as a revenue department; and the same thing has happened, on a much larger scale, in the case of the Prussian railways. While many millions sterling have been paid over each year from the railway earnings in relief of the general taxation of the country, and while long-promised and admittedly desirable railway tariff reforms have been adjourned apparently *sine die*, it seems clear that the railways are undermanned, that the staff is overworked and underpaid, that lines which ought long ago to have been doubled still remain single, that stations and station yards are unfitted to deal with the increased traffic, that the permanent way is quite out of date, and that the rolling stock is not only old-fashioned but is absolutely inadequate in quantity. It may be safely assumed that the statesmen responsible for the proposed railway nationalisation in Switzerland have taken warning by Prussian experience. For the law which has passed the Chambers and which will therefore, unless defeated by the Referendum, shortly take effect, distinctly enacts that railway revenues shall only be used for railway purposes, and that, after interest and sinking fund charges have been met and an adequate reserve provided, the entire surplus shall be devoted to reduction of railway rates and the improvement and extension of railway accommodation. The scheme of State purchase put before the Prussian Parliament some twenty years back was practically the same, but provisions carrying these intentions into effect failed of insertion in the Bill, with the

result that, as has been said, the railways have ever since been treated as—to use the favourite phrase of the critics—“the milch cow of the Finance ministry.”

W. M. ACWORTH.

A NEW PROPERTY TAX.

I. INTRODUCTION.

THE direct taxation of property, for national and local purposes alike, has been largely and constantly resorted to in this country from a very early period. Whilst it was, for national purposes, supplemented by the customs, the feudal revenues, and the Crown lands, “the property tax remained for centuries the sole local tax.”¹ During the 13th, 14th and 15th centuries the assessments usually took the form of rough valuations of farm-stock, crops, and other movables, although rents were sometimes included.² In the 16th century lands were gradually added,³ and, in that which followed, the rating of householders in respect of their dwelling-houses very largely took the place of assessments of “goods.”⁴ The growing multiplicity and diversity of the forms of personal property made its direct assessment exceedingly difficult, and the practice of including it in the valuations fell into almost complete disuse. In 1660 the excise was introduced into the national revenue system, and numerous other novel fiscal expedients were subsequently brought into requisition. Prior to the imposition of Pitt’s “triple assessment” in 1798, the taxation of property for national purposes had fallen off considerably from the scale of earlier times, and the intention of this measure was to lay “a general tax on persons possessed of property, commensurate as far as practicable with their means.”⁵ The “shameless evasion” of this assessment compelled Pitt to have recourse, in the following year, to an income tax, and he drew up a list of the chief branches of income to be taxed. In this list the profits of “skill and industry” occupy the last place, as an addendum to the “profits of capital employed in domestic trade.”⁶ It appears to have formed no part of Pitt’s original intention to tax the earnings of industry and skill, but the difficulty of separating these from interest of capital in the case of persons engaged in trade seems to have led to their ultimate inclusion. In spite, however, of the fact that “wages” have been charged to the income tax for the greater part of a century, it still remains the fact that the great majority of the tax-payers, even where these are themselves owners of property, refuse to accept the equal taxation of incomes from earnings and from property as just or

¹ Seligman’s *General Property Tax*, reprinted in *Essays in Taxation*, p. 44.

² Dowell’s *Hist. of Taxation*, vol. i., p. 59, &c.

³ *Ibid.*, p. 130.

⁴ Cannan’s *Hist. of Local Rates*, p. 50, *et seq.*

⁵ Pitt’s speeches, quoted in Dowell’s *Hist.*, vol. ii., p. 221.

⁶ *Ibid.*, p. 225.

reasonable. It must be said that so long as nearly three-fifths of the imperial tax revenue are raised by customs and excise duties, the sentiment of aversion felt for the direct taxation of earnings will continue to possess a solid foundation of reasonable justification.

A new tax, which shall be largely productive and yet not burdensome to the poorer classes, is one of the most pressing needs of the present time in the region of public finance. Notwithstanding the great reforms of our revenue system effected within the last half-century, much yet remains to be done. In the department of imperial taxation, two defects stand out with especial prominence; these are: (1) the high rate and unequal incidence of the income tax, and (2) the continued existence of the breakfast-table duties. The recent inquiry into the Financial Relations of Great Britain and Ireland has had one important result in securing the practically unanimous assent of all parties to the proposition that the imperial taxes leviable throughout the whole of the United Kingdom are unduly burdensome to the poorest classes of the people.¹ The trend of opinion points to the probability that an effort will be made before long to remedy, or at least alleviate, this condition of fiscal affairs; and it certainly appears that the first step to be taken in order to attain that end is the repeal of the duties on tea, coffee, cocoa, and dried fruits. The material reduction of the rate of the income tax at an early date is not less urgently needed, and is only hindered by the feeling that this tax affords the only sure means of obtaining a substantial contribution from the well-to-do sections of the community. The severity with which it bears upon the middle, and especially upon the professional, classes, has been admitted alike by the chief modern economists and by the greatest financial experts.² Since 1894, moreover, it has been no longer possible to excuse the continuance of the oppressive incidence of the tax upon precarious incomes by reference to the assessment of real property on the gross value. The allowance of a liberal scale of deductions for repairs has quite rightly removed this old-standing grievance; but it has, at the same time, taken away the last vestige of excuse for the continued assessment of incomes from personal exertion on the gross amount. So long as the income tax was regarded as a temporary impost, and was charged at a low rate in time of peace, the hardships and anomalies arising from its operations were endured with tolerable patience. Since, however, the tax has assumed a position of permanence in our fiscal system, the wisest policy would appear to be to endeavour to remedy the more glaring and most oppressive defects in its structure. The necessity for a reduction of the rate of the tax does not rest solely, or even mainly, upon the ground of the excessive weight of its pressure

¹ See, generally, the Debates in the House of Commons on *Financial Relations and Budget*, 1897.

² See, amongst other references, Mill's *Principles* (People's edition), p. 491; Mr. Gladstone's *Financial Statements*, pp. 50 and 432; and Mr. Goschen's Budget speeches, 1888 and 1889.

upon the middle classes. Considerations of high national policy point to the advisability of reserving a wide margin of expansiveness for time of war or other serious and unprovided-for emergency.¹ This margin has, in recent years, been perilously encroached upon, and is at present curtailed of its proper amplitude.

If we turn to the department of local taxation, we find the need for new sources of revenue even more urgent still. Professor Seligman, whose admiration for British fiscal progress is such as to make him an extremely friendly witness, speaks of this branch of our revenue system as follows:—"Even in England, where so many reforms have been made in the national revenue, the whole system of local taxation, with its absence of special assessments,² its exemption of non-productive realty or land held for speculative purposes, and its imposition in the first instance on the occupier, means the relative overburdening of the poorer classes."³ The claims of the agricultural interests for relief of local taxation having been fully conceded, it is unnecessary to make more than a passing reference to this aspect of the question. The matter which now demands attention is the crushing burden upon the occupiers of houses in London and the large provincial towns. This will, it may be hoped, be partially remedied in the course of a few years by measures for the taxation of ground values, for betterment assessments, and for the equitable division of the rates between occupiers and owners. But something more than these measures appears to be required. There has long been, and still is, a widely-felt desire that those descriptions of personal property which now escape local taxation should be laid under contribution;⁴ and, although there is much to be said in opposition to the suggestion, many proposals have been made for carrying it into effect. These have all proved impracticable, except so far as the transfers effected in 1888 and subsequently have thrown local charges upon the income tax-payers.⁵ If invisible personality is to be required to contribute to the funds of the local authorities, it is eminently desirable that the taxation to be imposed for this purpose shall be direct and specific, and that it shall be imposed equally upon every class of income-yielding property. Any further allocation of the death duties or the beer and spirit duties to local uses, which is unaccompanied by an increase of the rate of the transferred tax or taxes, will almost certainly not fall upon the payers of this taxation but upon the payers of the income tax and the breakfast-table duties.⁶ It is only by the imposition of a new tax, or an increase of the rate of an

¹ Cf. Mr. Gladstone's Budget speech, 1853; and Mr. Goschen's ditto, 1888 and 1889.

² *i.e.*, for betterment.

³ *ECONOMIC JOURNAL*, vol. iv., p. 639. See also Cliffe Leslie's *Essays*, 2nd ed., pp. 404, 405.

⁴ Cf. Mr. Goschen's Budget speech, 1888.

⁵ This latter point is dealt with at some length in my paper on "The Distribution and Incidence of Rates and Taxes," in the *Statistical Journal* for December, 1896.

⁶ *Ibid.*

old one, and the specific application of the proceeds to the purpose in view, that the actual ultimate destination of the transferred charge can be traced and determined. The suggestion contained in the title of this paper, by which the reform of both local and imperial taxation may be secured with perfect certainty as to the ultimate effect, will be more fully elaborated in the next chapter.

II. DESCRIPTION OF PROPOSED NEW TAX.

A very brief study of the subject will, it is believed, suffice to convince an unprejudiced inquirer that any new taxation by which it is sought to raise a large additional revenue in the United Kingdom must necessarily take the form of property taxation. Death duties at once suggest themselves, but only to be dismissed from consideration. Apart from the fact that this form of property taxation has been lately brought into requisition, and utilised to the full extent for which public opinion is at present prepared, it should be remembered that these duties are less scientific, less certain, and less just in their operation than a property tax such as that which at present forms a part of the fabric of the income tax. The death duties may be, and often are, legally evaded. They are also unequal in their incidence, owing to the irregularity of the periods at which they fall due. A series of successions at short intervals may easily cause the duties to operate harshly and oppressively. The plan of taxing the property in proportion to the annual income which it produces, or is capable of producing, secures the highly important elements of certainty as to amount, regularity as to time of payment, and equality of incidence. The income tax, so far as it falls on property, possesses these merits, but the structure of the tax is such that it cannot be applied to property alone. The necessity of charging the earnings of personal exertion (wages) along with income from property (rent and interest), has restricted the use of the tax within the limits applicable to the first-named class of incomes. Suggestions have been made with the object of confining the application of the income tax to incomes from property. But the great present, and still greater potential, value of the tax in its existing shape has rightly prevented their adoption.¹ The proposal submitted in this paper is for the creation and imposition of a new tax on rent and interest, using the terms in their full economic sense. The design of the proposed new tax follows, as far and as closely as possible, the lines of the income tax, in order to secure the maximum of unity and correspondence in the administration of both. The chief deviations from the income tax model are: (1) the omission of the whole of Schedule E (salaries and pensions of officers of the Crown, public bodies and public companies); (2) the omission of professional incomes, salaries of employes and other personal earnings from Schedule D;

¹ See my article on "The Position and Function of the Income Tax in the British Fiscal System," *ECONOMIC JOURNAL*, vol. ii., p. 637.

(3) the division of the incomes of *private* traders, merchants, manufacturers, mine-owners, ship-owners, &c., into two parts, and the inclusion of that part only in Schedule D which represents interest on capital; and (4) the similar treatment of the incomes of farmers, nurserymen, and other occupiers of land assessed under Schedule B. The one really serious difficulty to be surmounted in the filling in of this outline and giving it an effective character centres in the third of these deviations, and it is probably due to its existence that no effort to frame a tax of the kind herein suggested has ever before been made. It will undoubtedly be a delicate administrative function to assess to the new tax those persons who fall into the category there set out. But the difficulty does not extend to these concerns which are carried on by limited companies, railway companies, joint-stock banking and other companies, and similar bodies and corporations. In all these cases the remuneration of those charged with the direction and management of the business are already distinguished from the profits applicable to the payment of dividends and interest. The rapid absorption of private businesses by limited companies has already narrowed the area of the difficulty, and the diminution may be expected to continue still more rapidly in the future. A large measure of guidance in the assessment of private traders to the new tax would moreover be afforded by the income tax returns and assessments, it being assumed that the management of both taxes would be conducted side by side by the existing officials and commissioners. It would probably be necessary to resort to rule-of-thumb methods of calculation to some extent at first; but such a method is already in use in the assessment of incomes from farming, and is found to be very little objected to by those affected.

Assuming that the exemptions, abatements, and deductions now operative in the case of the income tax were extended to the new property tax, the amount of the net assessable income or annual value might be expected to work out as follows:—

TABLE No. 1.

Estimate of Assessment to the New Tax.

Income Tax Schedule.		Net Assessments, Year 1894-95.
Schedule A		£159,203,019
Schedule B		3,675,450
Schedule C		38,644,997
Schedule D, Part I.		21,600,000
Schedule D, Part II.		162,000,000
Total.....		385,123,466
Add, for growth since 1894 and for minor adjustments, say		14,876,534
Estimated net sum assessable to new tax		<u>£400,000,000</u>

A comparison of these figures with those given on pp. 109 and 123 of the Inland Revenue Blue-book for 1895-96 will show that under Schedules A and C they exactly agree, the needful adjustments being of a minor character. Under Schedule B, it is necessary to compute the income by a calculation from the duty at the rate of 8*d.* in the £. For the new tax it is here assumed that one half of this income should be assessed as interest on capital. Under Schedule D, a deduction of about £3,000,000 is made in Part II. to cover the remuneration of personal services in the management of privately-owned mines, &c., and incomes not derived from property included under the head of "Other Profits." The greater portion of Schedule D, Part I., and the whole of Schedule E, as assessed to the income tax, relate to "wages," as distinguished from "rent" and "interest"; but there is at present no statistical information available from which the proportions may be ascertained in the former case. Recourse has therefore been had to an estimate quoted by the present writer in an article on "The Income Tax" which appeared in *THE ECONOMIC JOURNAL* for December, 1892, (p. 646). This placed the interest on capital employed in private businesses (exclusive of mines, &c.) at £21,600,000, a sum probably well within the mark when the estimate was framed, ten years ago, and not less so at the present time. The total thus arrived at for the new tax would probably be somewhat enlarged by the necessary minor adjustments and by the withholding of the allowance in respect of life insurance premiums. It would be still more largely augmented by the growth of taxable incomes since 1894. There is little room for doubt that the net income assessable to the new tax, would, if the lines here laid down were substantially adhered to, reach a total of £400,000,000; and that a rate of 5 per cent., or 1*s.* in the £, would yield a revenue of £20,000,000 a year. But if the imposition of such a tax were to be decided upon and undertaken at the 5 per cent. rate, it should be accompanied by a substantial diminution of the rate of the income tax, say to 3*d.* in the £, which would reduce the actual addition to the taxation of property to 7*d.* in the £, or about 3 per cent. If a further portion of the proceeds of the new tax were applied to the reduction of local taxation, it is probable that property would share in this relief likewise, although the extent of the relief so obtained cannot be estimated in advance.

One of the advantages which the imposition of the new tax would afford would be the opportunity for the release of the estate duty and the beer and spirit duties from the existing partial allocation to local uses. The application thereto of an equivalent portion of the new tax would be attended by several advantages, viz., (1) the managers of the imperial finances would no longer be embarrassed in the manipulation of the fiscal resources of the nation by the existence of the local lien; (2) the taxes now partially allocated are such as, from their nature, it is desirable the Imperial Government should retain entirely in its own hands, and the proposed new tax is, owing

to its character, much more suitable for the purpose of meeting local needs; (3) the existing doubt as to the classes of tax-payers by whom the cost of relieving local taxation is borne would be removed; and (4) the local authorities would secure a regular and reliable augmentation of their revenue in place of fluctuations and uncertainty. This suggested transfer of the local lien from the estate, beer and spirit duties to the new tax, would not affect the amount available for the remission of taxation as the result of the imposition of the new tax. Putting this at £20,000,000 it would be possible to lower the rate of the income tax to 3*d.* at a cost of ten and a half millions; to abolish the duties on tea, coffee, cocoa, and dried fruits, at a cost of four and a half millions; and to devote a further sum of five millions to the relief of local taxation. This hypothetical disposition of the proceeds is formulated as a graphic means of indicating how large a readjustment of our fiscal system might be effected by this means at the cost of an additional contribution of 2½ or 3 per cent. from the annual product of property possessed by persons whose incomes exceed £500 a year, and still smaller payments by those whose incomes range downwards from this point to £160 a year.¹ It will be seen that we have here, in outline, the design of a new tax of great productive capacity which, without touching the poorer classes, would be so widely and so equitably spread over the realised wealth of the country that the ratio of burden would be very light. As the whole of the necessary machinery for its administration is already in active operation, and the present processes for the assessment and collection of the income tax would largely suffice for both, the initial difficulties would be reduced to a minimum, and the percentage of cost of administration would certainly be extraordinarily small.

III. THE TAXATION OF PROPERTY IN THE UNITED KINGDOM.

It has been for many years a widely desired object that the taxation "borne by" or "falling upon" property, and especially real property, should be tabulated and set out in statistical form. Several attempts have been made to comply with this desire, but the difficulties of the undertaking have not, in either case, been overcome, and the results have been extremely unfortunate. Mr. Goschen's Report on Local Taxation, 1870 (House of Commons, paper 470 of 1870), is, perhaps, the most important of these compilations, and clearly illustrates the point. In the body of the report (p. 30 of folio reprint, No. 201 of 1893), we find a statement of the imperial taxes "falling on real property" in England and Wales, the total amounting to £5,677,000. But in this total is included land tax, £1,082,000, and house tax, £1,062,000, neither of which falls on real property or any other kind of property. The percentage of imperial taxation "borne by real

¹ The property of persons whose total incomes do not exceed £160 a year would be exempt from the tax.

property" is put at 12·17, but if these two items are omitted, the percentage is reduced to 7·57. The land tax is not in any real sense a tax at all, but is itself a property. The true analogy is to the tithe, or to a perpetual rent charge. This has been quite clearly pointed out by Mill,¹ and, more recently, by Sir R. Giffen;² but it is not generally known that the land tax was from 1802 till 1853 saleable by the Crown, not merely to the owners of the residue of the charged properties but also to strangers. There were 2,073 such sales to strangers, the land tax being converted into fee-farm rents payable out of the charged estates; but it is probable that some of these charges have since been bought out by the owners of the residues. There are also 247 cases in which the land tax has been sold by the Crown to persons interested in the charged properties; but by request of the purchasers the tax is still collected and paid over to them or their representatives or assignees. In both of the above sets of cases the charges created are still freely saleable. There are, moreover, other cases of land tax converted into rent-charges, but their number is not known. These features stamp the land tax with the character of property in a manner which appears to admit of no dispute. The house tax falls almost wholly, if not entirely, upon the occupiers of the houses, and is of the nature of a tax upon their incomes. This view has been uniformly held by all the economists who have referred to the subject, and can hardly be said to be disputed. Similarly, in dealing with local taxation, the whole amount of the "rates" is described in Mr. Goschen's report as "taxes on real property."³ But on reaching this portion it becomes apparent that, although the expressions "falling on" and "borne by" are used in the headings of the tables without qualification, they are not to be understood to mean that the rates and taxes in question are paid or ultimately borne by the owners, but that they are measured out to the payers in proportion to the annual value of the premises occupied by them, without regard to the problems of ultimate incidence. Referring to the figures of local taxation the report proceeds:—"It should not be forgotten in this comparison that the amount of taxation borne by real property is overstated. The profits of railways, canals, &c., are rated and supply a very considerable sum, which ought not to have been included in the amount derived from taxes on real property; and further, it has been conclusively proved that a great proportion of the rates, especially in towns, does not fall upon the owner, but is paid by the occupier, *i.e.*, the consumer of the houses." This observation is equally applicable to the house tax, and explains the method of compilation applied to imperial and local taxation alike. Sir Alfred Milner explained his adoption of the same method of compilation in a series of tables prepared by him last year

¹ *Principles* (People's edition), p. 494.

² Agricultural Commission, Second Report, p. 47; see also his *Essays in Finance*.

³ P. 31.

as follows :—" I do not think that in these tables we were looking at the person out of whose pockets the tax came, but at the kind of property on which the taxation was levied."¹ If the word "measured" is substituted for "levied," as is evidently meant, the limitations of the value of the statistics so compiled will be apparent to those who have given the subject of the incidence of taxation some attention. Similar errors of description and computation were made in a return called for by Mr. Richard Paget and presented to the House of Commons in 1885²; but in this case, as in the case of Mr. Goschen's report, the subsequent raising of the rate of the income tax has brought up the total of imperial taxation of visible property to a figure equalling or exceeding that erroneously stated in the return. As regards local taxation, the situation is reversed, and the overstatement is now greater than before. In a table appended to a paper read before the British Association last year,³ the present writer endeavoured to show the actual distribution of the burden of the imperial taxes under certain heads. It therein appeared that for the year 1894-95 the percentages were: on land, 3; on other rateable property, 10·4; on non-rateable property, 16·2; on consumers' income, 64·9; and on the earnings of personal exertion, 5·5. The total contribution from property amounted to 29·6 per cent., but as the new death duties had not then taken full effect the present proportion will probably reach 32 per cent. In another table of the same series, the ultimate incidence of the local rates in England was worked out thus: real property, 12·6 per cent.; personal property, 12·1 per cent.; and on occupiers' and consumers' income 75·3 per cent. The Agricultural Rates Act has now reduced the contribution from real estate to less than 8·0 per cent., and from real and personal property together to about 20·0 per cent. Of the total taxation of the country, local and imperial, the proportion borne by property would appear to be about 30·0 per cent. It must, however, be remembered that although these figures are believed to represent quite fairly the proportion of the taxation of the country which falls upon property as such, a portion of the taxation falling upon consumers and occupiers will also descend upon incomes derived from property. How much this may amount to there is no means of estimating, and the inquiry must therefore remain incomplete in this particular direction.

IV. THE NATIONAL INCOME.

Turning back to the income tax statistics, and taking up another thread of the inquiry, some interesting comparisons may be drawn from the materials there placed at our disposal. In 1894-95 the total *net* income charged with tax in the United Kingdom (after making the

¹ Royal Commission on Agricultural Depression; reply to Q. 63,253.

² H. of C. Paper, No. 345.

³ See *Statistical Journal*, December, 1896.

necessary adjustment under Schedule B.) was £525,689,820; and of this sum no less than £385,123,466 was, as we have seen, of the nature of "rent" and "interest," and £140,566,354 of the nature of "wages." Property, therefore, furnished nearly three-fourths of the aggregate income actually charged with income tax. Proceeding a step further we get:—

TABLE NO. 2.

Amount of Income charged with Income Tax (including Abatements)—

Total net assessments, 1894-95	£525,689,820
Statutory abatements, after adjustment Schedule B.	60,829,621
Life insurance allowances.....	3,085,302
Total income of persons liable to tax	<u>£589,604,743</u>

The net assessment of property bears to this total the proportion of 65 per cent.; but it is necessary to add to the former a corresponding sum for abatements and life insurance, and, although this can only be guessed at, it will probably bring up the proportion to two-thirds. It thus appears that property yielded two-thirds of the income of the persons assessed to the income tax, and paid nearly three-fourths of the tax actually charged. No doubt the application of the method of "stoppage-at-the-source" renders it necessary for many property-owners to claim repayment, and a slight lowering of these proportions is required on this account.

In order to find the aggregate income of the nation it is necessary to make a calculation of which some important elements must necessarily be based to some extent upon conjecture. The following figures are offered with this reservation:—

TABLE NO. 3.

The Aggregate Income of the Nation. Year 1894-95.

Total income of persons liable to income tax (Table No. 2)	£589,604,743
Add exemptions, Schedule A.....	13,178,103
" " B.....	9,504,158
" " C.....	2,000,000
Untaxed interest from foreign investments	30,000,000
Manual labour wages (Sir R. Giffen's estimate) ¹ ...	633,000,000
Other incomes exempt from tax (ditto) ² ...	100,000,000
Total.....	<u>£1,377,287,004</u>

¹ Labour Commission, evidence (whole Commission), p. 472.

² Quoted by Mr. Bowley, *Statistical Journal*, 1895, p. 247.

TABLE No. 4.

Aggregate Income of the Nation from Property.

Net assessments, 1894-95, as in Table No. 1	£385,123,466
Add exemptions and abatements, Schedule A	14,669,001
" " B	5,715,000
" " C	2,000,000
" " D	8,000,000
Income of non-income tax-paying classes derived from capital, and not accounted for above.....	30,000,000
Untaxed interest from foreign investments	30,000,000
Total.....	<u>475,507,467</u>

This total will, it is believed, be found smaller than any similar total compiled in recent years, the net income tax assessments being taken as the basis instead of the gross as in other calculations, and the income falling under Schedule B. being here properly worked out. The last item but one is here taken at one-half the amount of Sir R. Giffen's estimate of 1878, which was followed in the return of 1885. Notwithstanding the growth of capital since 1878, and the raising of the limit of exemption from income tax, the present writer is unable to follow these authorities in adopting so high an estimate. The income from foreign investments which eludes the income tax was estimated by Sir R. Giffen in 1878 to amount to £40,000,000, and by Mr. Bowley at £46,000,000 for 1891.¹ In the return of 1885, this item is placed at £30,000,000, and this figure has been adopted in this paper.

V. Conclusion.

It is now apparent that, taking these figures as correct, the proportion which the income of the nation from property bears to the whole national income is 34·5 per cent. We have previously made out the proportion of the total taxation of the country, imperial and local, which falls upon property, as such, to be 30·0 per cent. Whilst the taxation of property, and especially of realty, has been greatly overstated in previous computations, owing to the practice of including the local rates, the house duty and the land tax amongst the taxes falling thereupon, the fact that some part of the customs and excise taxation falls upon incomes from property has hitherto passed unnoticed. It does not, however, suffice to compare the proportions of income and taxation; it is necessary also to consider the taxable capacity or ability represented. The bulk of the property of the country is owned by persons of the income tax-paying classes, and a

¹ *Statistical Journal*, 1895, p. 248.

very large part of it by those whose incomes exceed £500 a year.¹ On the other hand, 59 per cent. of the adult male labour wages in the United Kingdom do not exceed 25s. a week, and the bulk of the wages of women and young people may probably be taken to possess an equally restricted taxable capacity. Without labouring the point, it is submitted that, having regard to the relatively high degree of taxable capacity possessed by the bulk of the income from property, the existing fiscal arrangements of this country favour realised wealth at the expense of earnings. If to the 30 per cent. falling upon property, 12 or 15 per cent. were added to cover the taxes on consumption and occupancy payable out of the income from property, the resulting proportion would still leave some room for a re-adjustment in favour of earnings.

In the description of the proposed new tax a 5 per cent. rate was used to illustrate the great possibilities realisable by its adoption, but neither this rate nor the suggested disposition is in any way essential. The new tax could be quite appropriately levied at a lower rate to provide for the relief of local taxation, or either of the other suggested ends, singly. If used, in the first instance, solely for the reduction of the rate of the income tax, it would be found that a remission of 5*d.* in the latter could almost be provided for by the imposition of a 6*d.* property tax.

It is recognised that the proposed new tax is, like every fiscal expedient yet invented, open to objection. The difficulty of accurately charging the interest on the capital employed by private traders must be fully admitted. Its existence would make it necessary to apply the new tax to this class of income somewhat leniently, and to provide ample means of appeal. But this class is, after all, not an important one from the fiscal point of view, the estimated assessment amounting to only £21,600,000 out of a total of £400,000,000. The advantages which it is believed may be gained by the adoption of such a tax are, however, so great as to entirely outweigh this defect. It is also claimed that the design of the suggested impost is drawn on lines which are both theoretically conformable with the demands of economic science and capable of practical application by means of the most perfect portions of the fiscal machinery of the nation.²

G. H. BLUNDEN

THE LOCK-OUT IN THE IRON TRADE IN DENMARK

THE dispute in the Danish iron trade which involved the closing of most of the workshops in that trade throughout the country from June 9th till September 13th, was declared to be the most important

¹ See above, chap. iv., pars. 1 and 2.

² See my articles on "The Position and Function of the Income Tax in the British Fiscal System," *ECONOMIC JOURNAL*, December, 1892; and "A Progressive Income Tax," *ibid*, December 1895.

labour dispute which has occurred in the country for many years. The following account of the nature of the dispute and its course is based on information which the writer obtained while spending a part of the summer vacation in Denmark.

To understand some of the points at issue between the parties concerned in the dispute, it is necessary to refer to what occurred at Aalborg towards the end of last year. There, the local branch of the Union of Danish Smiths and Engineers, withdrew a number of its members from their shops, though no strike had been declared. The matter in dispute was a question of wages, and a lock-out was, as a consequence of the action of the Union, declared throughout the provinces in March. This dispute was, happily, prevented from spreading to Copenhagen, and was itself settled on March 29th, through the intervention of three influential gentlemen, one of whom was a burgo-master of Copenhagen. The settlement dealt with two other points besides the local dispute at Aalborg. On the one hand, the difficulties created by diversity in the "shop rules" in different parts of the country were to be settled by the drawing up of a uniform set of rules for the whole country. On the other hand, a system already at work for over two years in the capital was to be extended to the provinces. By this system all industrial disputes in the trade were to be submitted to an arbitration court, consisting of three representatives of each side with an independent chairman, before either strike or lock-out could be declared.

The "shop rules," when drafted by the employers, were submitted to the union, but objected to by that body, the special ground of objection being the regulation providing for a discharge certificate to be given to every workman on leaving one master, without the production of which no other master, belonging to the association of the masters in the trade, would engage such a man. These certificates had for some years been a cause of dissatisfaction.

In regard to the arbitration rules, too, there arose a difficulty. Some changes were necessary, especially in regard to the period within which the court should be summoned, the greater distances in the provinces requiring an allowance of a longer time for this process. While the discussion of such changes was pending, the workmen's officials declined to recognise the new rules as in full operation, declaring that full validity could only be given to them when notice of their acceptance by the masters was received. The Employers' Association, however, took the view that the rules were actually in force from March 29th, in spite of the fact that alterations were pending, and that the formal assent of the general meeting of the association had not been obtained.

The matter of the "shop rules" was the more important in the men's view, and was productive of somewhat strained relations till a crisis was reached by the declaration of a strike in two provincial centres, Slagelse and Odense. The latter is the capital of the island

Fyn, and, with the exception of Aarhus, the largest of the provincial towns. In Odense it appears that, on May 18th, a deputation from the workmen waited on the employers to present a demand for higher wages and for certain other changes in the conditions of labour, including a minimum wage. On the following day the three employers who were members of the Employers' Association replied that on the question of wages they were willing to discuss with their men, but on the other questions it was necessary to refer them to the association. The workmen continued at work till the evening of the next day, Thursday, which completed the week according to the customary reckoning, and then left, refusing to delay action and submit their case to the arbitration court referred to above on grounds already explained. As they were supported in their action by the head officials in Copenhagen, the associations of employers for Copenhagen and for the provinces met and resolved, on May 29th, to close all their shops on June 9th at mid-day, unless the Union officials should have sent back the strikers at Odense and Slagelse not later than mid-day of June 8th. These strikes, without previous arbitration, were, they asserted, a breach of the agreement of March 29th, which they held to be in full operation, especially as the Aalborg wages question had actually been settled by the use of the very rules therein agreed to. It was only on June 3rd, however, that the Employers' Association, in general meeting, approved the Copenhagen rules, without change, for application to the provinces, and the association officials declined to apprise the men's Union formally of this fact under the circumstances, though the Union officials had repeatedly declared that the receipt of this notice was the only thing wanted to establish the validity of the said arbitration rules.

The difference between the two sides in this question will thus be seen to have arisen rather from mutual irritation than from a set dispute on an important question affecting the wages or hours of the men. The discharge certificates had irritated the men, the occurrence of a strike in spite of an agreement which seemed to secure that strikes should be avoided, or, at least, should only occur after due warning and a real effort to find another means of settlement, had roused the masters.

The numbers affected by the Slagelse and Odense strikes were quite small. A statement of the masters mentioned 93 men as affected, while detailed figures from the men's side mentioned only 75, of whom 65 were in Odense, while they stated that about 50 men in Odense and 40 in Slagelse were employed in shops where their proposals had been accepted, the employers not being members of the Employers' Association. The men were told by their leaders that the masters wished to force down their wages to about 3*d.* per hour, and the statement already quoted stated that the wages of the strikers varied from 3*d.* to 4*d.* per hour, only seven attaining this latter figure, and one just passing it.

The effect of the declaration of the lock-out was that some 2,000

to 3,000 men were at once deprived of their employment, all the members of the Employers' Associations, without exception, closing their shops. A number of small employers not in the Association kept their shops open, and to these must be added three important works, namely, Burmeister and Wain's establishment in Copenhagen, the Helsingör shipyard, and the works of the "Scandia" company at Randers.

The question of the extension of the lock-out to connected trades was soon mooted, and, before a month had gone by, important extensions took place. At its height the lock-out is estimated to have affected directly fully 5,000 men, besides many others indirectly affected. The progress of these events need hardly be detailed, and it will be sufficient to recount the steps of the negotiations for a settlement.

The first effort to this end was made by Mr. Jensen, the president of the Trades Council of Copenhagen and editor of *Social Demokraten*, a socialist newspaper, who, on June 18, issued an invitation to both sides to appoint delegates for a joint conference. Three days later the masters assented, provided that the discussion should, in the first place, be directed to the matter of providing security against strikes without some preliminary attempt to arbitrate on the cause of dispute. The negotiations for the purpose of determining the limits of the questions to be submitted to the joint conference occupied some time, and it was not till the 28th that the meeting took place between the committees of the two masters' associations and those of the men's Union and of the Trades Council. These committees conferred for three days, when, no definite result having been reached, further negotiations were entrusted to a sub-committee consisting of two delegates from each of the four bodies concerned. Two meetings of this committee on the 5th and 6th July were held, also without result. The men had been willing to agree to the masters' desire for security against strikes being declared before peaceful methods of settlement had been fully tried, but refused to return to work till a satisfactory settlement of the "shop rules" question had been arrived at. They held that, if once they were at work, they would not be in a position to bring sufficient pressure to bear on the masters to give them a chance of carrying the reforms they desired in the rules, while the masters felt that while their machines were standing they could not negotiate with a free hand, and insisted on a resumption of work before entering on the revision of the rules.

A second attempt to bring the dispute to an end was made on the 16th July by the three gentlemen who had acted as arbitrators in the affair at Aalborg. They proposed an immediate resumption of work, and offered their services as arbitrators on all the points in dispute, a fourth gentleman being named as an arbitrator in case one of the three should, as was feared, be absent from the country when needed. The delay necessary while the provincial branches of the Union were con-

sulted proved fatal. The willingness of the masters to submit their case, which had apparently been real at the time of the offer, moderated. At last, on the 26th, the president of the men's Union accepted the offer, promising a resumption of work by the strikers, provided that the award of the arbitrators should take effect as from the day of resuming work. Some of the masters were, by this time, willing to submit no other questions than those relating to the actual strikes in Odense and Slagelse, to the arbitrators. Further negotiations as to the range of the arbitration ensued, and it was at last clear that the differences were too great to make it possible to intervene usefully in the way proposed. The masters would not go further than just indicated except on the question of guarantees against strikes without previous arbitration, and expressed the view that the three gentlemen who proposed to intervene were not able to judge adequately of the technical points in dispute in the "shop rules." The offer of arbitration was then withdrawn.

The third attempt to settle the dispute dates from about three weeks later. Mr. Niels Andersen, the president of the "Employers' Association of 1896," an association of a general nature and not immediately connected with the Iron Trade, and Mr. Jensen, already mentioned as president of the Copenhagen Trades Council, conferred together as to putting proposals for settlement before the parties to the dispute. Not deterred by finding their suggestions rejected at first, they continued to inquire from each side as to modifications necessary to make their proposals acceptable. At last the arrangement of terms was entrusted to the committees of the two bodies of which Messrs. Andersen and Jensen were presidents, that is to say, to bodies not specially connected with the iron trade. On September 5th these committees met, and, after a couple of days' debate, arrived at a basis of settlement, which was in due course ratified by the various associations of masters and men, and signed on their behalf by their officials on September 12th. Thus was brought to an end this most disastrous dispute, which had involved a large majority of all the workmen employed in the iron trades throughout the country, besides affecting other trades most seriously; which had, it is estimated, diminished the production in the iron industry by five million kroner (278,000*l.*) and caused a loss of wages of a million and a half (83,000*l.*) to the workmen concerned. This is no small matter to a country whose total population is but a little over two millions.

The principal features of the terms of settlement may be briefly mentioned. First in importance, undoubtedly, from the men's point of view, is the abolition of the unpopular discharge certificates. Next may be named the agreement to try to arrange disputes by a meeting of representatives from either side before either strike or lock-out shall be declared. The establishment of a permanent Court of Arbitration to determine disputes is also to be proceeded with. The opinion expressed repeatedly in the course of the dispute, was that this Court should

consist of two members elected by the Masters' Associations, two by the Trades Council, two co-opted by these four from outside, and a chairman, who should be a lawyer, to be nominated by the President of the Supreme Court. In case of failure to agree on the two co-optative members, they might be appointed by the Ministry of the Interior. Whether, when arranged, the Court will have this constitution, remains to be seen.

The subjects dealt with in the remaining points of the settlement, though debated during the dispute, have not been mentioned in this account, and it will be sufficient to mention here that the men's Union agreed to changes in its rules, of which one of the most important was that which deprived branches of their right to call out, on strike pay, a portion of their membership not exceeding five per cent., without first obtaining permission from the Executive Committee of the Union. The future relations between unionists and non-unionists were also dealt with.

On an impartial view of this prolonged quarrel and its outcome, the losses involved appear to be out of all proportion to the ostensible causes of dispute. The establishment of a permanent Court of Arbitration in the trade may tend in so high a degree to preserve industrial peace in the future as to have been worth obtaining even at the terrible cost which was involved. While it is maintained, the necessity for appeal to third parties, ignorant of the technical details involved in trade disputes, will be avoided. It is to be noted, however, that it was, in fact, through the friendly mediation of third parties that this dispute was settled after two attempts to bring it to an end had been made in vain. Possibly a suggestion of a Danish critic may contain the real fact, namely, that the end was reached because it was felt on both sides that the maintenance of the dispute was too expensive.

A. W. FLUX

LABOUR NOTES : THE DISPUTE IN THE ENGINEERING TRADE, &c.

THERE are many signs of unrest at the present time in the labour world. The International Congress of Miners of 1897 has, it is true, ended mainly in a fresh lesson to the delegates in organisation. The "universal strike" which the great majority of the foreign delegates enthusiastically believed in in 1890, and which still holds its place in the vivid imaginations of some as the best means of securing the shorter working day, has evidently ceased to be seriously advocated, and the needs of better organisation, of a higher minimum wage, of a larger reserve of funds, and of the avoidance of gluts in the market, have come to be regarded as the practical questions.

Even the delegates of the more aggressive International Federation of Seamen and Dock Labourers, in spite of the rumours of 1896 and the vote of the Conference in June, 1897, threatening cessation of work in May, 1898, would seem to coquet with this weapon of the general

strike, rather than to dare to wield it. Upon them also the need of a more widespread organisation, and of greater stability of the constituent unions, is being forced home. The lesson of Hull in 1893, of Hamburg in 1897, and of the Shipping Federation is being slowly learnt.

But the machinery of industrial organisation none the less seems badly out of gear as the year is closing in upon us, and the Christian anniversary of the reign of peace is being heralded by the clamour of industrial war. In the textile trades, among more recent disputes, high organisation on both sides is, it may be hoped, to be allowed to play its proper part in industrial diplomacy; and, in spite of a threatening outlook, we trust that the same method will be adopted by the railway workers and the great railway companies in settlement of the somewhat too ambitious claims that have been formulated by the Amalgamated Society. But of this there is as yet (November 20) no guarantee, and such a reply as that of the London and North-Western Railway Company does not augur well for an easy or perhaps even a peaceful solution. It always bodes ill when the representatives of the national association of the men are brushed on one side, albeit with civility, and informed that, as has always been the case, the servants of the company can make their claims direct.

The Penrhyn dispute has, it is true, been settled after a weary eleven months of waiting and fighting, and the terms of the final agreement appear to give a sufficient recognition of the rights of the men to put forward claims through their appointed representatives.

But the cry of the right of association which this dispute made ring through the country in the early months of the year, and which even the National Union of Teachers responded to with an unprecedented vote of £150, has been raised again during the last few months by the partisans of the Engineers and Allied Trades in connection with the struggle in which they have been engaged. It is this dispute, above all others, which many have been anxiously watching.

The main events of the strike and lock-out are probably familiar to most of the readers of the JOURNAL, but it will be convenient to summarise them before commenting on their more salient features.

The occasion of the fight, to be carefully distinguished from the real cause, was the strike proclaimed in London on June 28 against three selected firms that refused to grant the eight hours day. The movement for eight hours had been in active progress in London for some time past, and at the above date about 150 firms had granted it. The decision to "strike" the three firms was taken without a conference with the London Employers' Committee, and the Employers' Federation of Engineering Associations, intervening at this juncture, at once converted the apparently small local dispute into one of national proportions. In one sense the Federation may be said to have forestalled the action of the allied trades, as it was commonly believed that success in London in securing the shorter working-day would have been followed by a similar attempt in the provinces.

Over and beyond the question of shorter hours, moreover, was that of "interference in management," especially in connection with piece-work, the rating of workmen, and the restrictions imposed in the use of machine tools. Under these circumstances the Federation used the opportunity that presented itself, and replied to the action of the London Joint Committee¹ with a partial lock-out of 25 per cent. of the members of the societies involved employed by federated firms throughout the country; and wherever this step was taken the engineers attempted to retaliate by the prompt withdrawal of the remaining 75 per cent. of their members.

While the lock-out was thus steadily spreading and the difficulties of the unions increasing, a wider interest in the struggle was being taken, and the particulars of the extension of the area of dispute became an important item of news in the daily press. The offer of mediation informally made by the President of the Board of Trade in October, its rejection by the employers in the resolutions² passed at the Leeds meeting in the middle of that month, and endorsed by the London District Employers on October 19, fastened public attention still more closely upon the dispute.

Undeterred by this reception of the first advances made by Mr. Ritchie, the Board of Trade, through Sir Courtenay Boyle, addressed a more formal proposal to the secretaries of the Employers' Federation and of the Amalgamated Society of Engineers on October 20, suggesting a conference between the two parties, enclosing a rough draft³ as the basis of an arrangement, and inviting amendments in detail thereon.

¹ Representing the Amalgamated Society of Engineers, Steam-engine Makers, Smiths, Hammermen, Coppersmiths, Drillers, Machine Workers, Brass Finishers, Tool Makers, and Scientific Instrument Makers.

² (1) "The demand for a reduction of working hours to forty-eight per week has been carefully considered, and the employers can only repeat that the conditions of the engineering and allied trades do not admit of any reduction of hours." (2) "The important point involved in the dispute is the question of the management of works. The Federation is determined to secure for its members absolute freedom in this respect." (3) "Under these circumstances, any intervention of third parties can have no useful effect, and cannot, therefore, be entertained."

³ ROUGH DRAFT FOR CONSIDERATION

(1) The Employers' Federation, while disavowing any intention of interfering with the legitimate action of Trades Unions, will admit no right of interference with the management of their business. The Trades Unions on their part, while maintaining their right of combination, disavow any intention of interfering with the management of the business of the employers.

(2) The demand for a forty-eight hours' week made by the Joint Committee on the Federated Employers in London without previous request for a conference with the employers is withdrawn.

(3) A conference between representatives of the Employers' Federation and the Engineering Unions concerned in the dispute shall be held forthwith, to discuss and settle the hours of labour.

(4) The constitution of the conference shall be arranged between the chairmen, or other selected representatives of the parties.

Both sides replied with a provisional acceptance of the proposal made by the Board of Trade, but the questions raised by the employers as to whether the general question of the hours of labour should be included in the deliberations of the suggested conference, and their refusal to accept any independent chairman, presented the greatest difficulties in adjustment, and nearly four weeks had passed before Mr. Ritchie succeeded in bringing the representatives of employers and employed together. On November 17, a preliminary meeting of the chief representatives of both sides was held, and it was agreed that the long deferred conference should be held on Wednesday, November 24, that each side should have fourteen representatives, and that each party should appoint its own chairman. It was further agreed that during the truce the employers would suspend any notices not already carried into effect, and would not post further notices; while the affiliated societies undertook not to interfere in any way with men who might be in employment at any time during the conference.

This point had thus been reached after the dispute had continued for about five months, the men, as their chief London supporter in the Press described it, having been animated by "a fierce determination to hold out till the end;" while the masters, to quote from a circular issued by Messrs. John McDowall and Sons, regarded it as "absolutely necessary that both employers and employed should be protected from the undue interference which has for some time back characterised the leaders of the Amalgamated Society of Engineers," and, to quote from the same firm with special reference to the claim for a forty-eight hours' week, held it to be their "duty to oppose the demand at the present time to the very uttermost."

In the result it is estimated by the Labour Department that some 45,000 men have been directly affected by the strike and lock-out; for many weeks more than £10,000 have been paid away weekly for dispute benefit to the members of the Engineers' Society alone; while the loss in wages, in profits to employers, in trade to the country and in indirect suffering and dislocation cannot be computed.

During the whole of this period there has been a great demonstration of force and persistency on both sides. The unions have shown an unexpected solidity and recuperative power. The levy has been freely used, and each engineer still at work has for weeks been paying 2s. 6d. per week towards the dispute fund, while organised labour, regarding the affair as a trade union matter rather than as a simple trade dispute, has somewhat freely helped. The purses of the outside general public have been, however, but slightly tapped. From abroad money has indeed come, but in no very substantial sums, although the list of countries contributing is a long and impressive one, and even Russia has sent its mite. From Germany considerable sums have come, but Germany is a deeply interested party, and in industrial disputes the Germans are like the Greeks: they are to be feared bearing gifts. Doubtless there has been much honest goodwill to the

English working man manifested there ; but it is inevitable that there should also have been much hidden satisfaction in our troubles, and many realise that this very dispute, undertaken to better the position of the English wage-earner, will inevitably tend to make his position more precarious, unless by a happy inspiration he learn the truth of the lesson of the last five months : that his welfare depends ultimately, not on the strength of a trade society, but on his own individual efficiency. The possibility of loss of trade through foreign competition has little or no weight in the heat of an industrial struggle, but it is none the less a reality, and in some directions it is a serious danger.

The English labour world, moreover, cannot with safety assume that the movement towards organisation and improvement in the conditions of labour will be equally progressive in other countries. There is no reason to think that the conditions prevailing abroad will approximate to those in England for many decades, and English trade unionists cannot afford to rely on the initiation of movements elsewhere similar to their own. The maintenance therefore of that approximate equality of conditions that international competition requires in order to secure the stability of many English trades is by no means assured. Foreign trade unions are at once more political and less stable than our own ; and the foreigner has neither the experience of, nor, it would appear, the genius for, voluntary organisation that many classes of English wage-earners possess. The German socialist will indeed support any industrial disturbance, just as the late William Morris was at one time willing to support a great extension of out-door relief, not because it was intrinsically desirable, but because "it made for revolution." But the German wage-earner can hardly look on the dislocation of a great competing English industry in the same impersonal way. And as for the German employer, how often must he have thought, *Quem Deus vult perdere prius dementat* !

Even the mobility of capital, sometimes laughed at, is an important consideration, especially perhaps in connection with the engineering trade itself, and Lord Armstrong's statement of the advantage which it had been to his firm to have a branch in Italy during the present dispute may be quoted as a suggestive and not isolated illustration of this fact. We are most of us apt to exaggerate both the fixity of capital and the permanence of wealth. But the mobility of the former is none the less a fact because we do not see bricks and mortar and plant already in position walking away : it is the new plant and the fresh buildings which are never seen, which for the most part illustrate this power of movement ; while as for the destructibility of wealth—it is one of the truths, almost one of the mysteries, of the industrial economy. And yet men act and argue often as though it were an automatically renewable quantity like the widow's cruse of oil, forgetful that its reproduction can only be secured by the constant energy of the active and capable brains of employers, and the care and muscle of conscientious and capable workmen.

The engineers seem often to have tried to deal with the work of the moment as they would with the accumulated funds of a sharing-out club, forgetful of the fact that it is upon the effective execution of the task of one week that the employment of the next mainly depends. In their work men are dealing ultimately with that most capricious of all things (apart from women), the motives of men, and not with material wealth or with signed contracts or with pounds, shillings and pence. If profits be destroyed and the spirit of enterprise and initiative be weakened, the wage-earner suffers. If for a moment he may seem to gain by securing more leisure or greater ease, he suffers later on either by enforced idleness or by the acceptance of less desirable conditions of employment. It is not the least of the many salient truths contained in *The Life and Labour of the People* when Mr. Booth remarks: "The margin of profit is labour's security, and the more sure it is the less it will tend to become."¹ And to grasp this truth requires patience, intelligence, and imagination. The employment of the *Ca'canny* principle is the resource of the fool, and to adopt a policy of systematic aggression is the sign of irresponsibility. The sympathies of many friends of trade unions have been strained during the past few months as they have seen its splendid record broken, and its first obligation of securing the advantages of collective control through the exercise of a wise diplomacy, thrown to the winds. The employers have in some respects been too stringent in their action, but the onus of responsibility must rest with the officials of the Amalgamated Society of Engineers. Through the medium of their unrivalled organisation they "held the stick," but, like the dockers in the heyday of their associated strength in the winter of 1889-90, they did not know how to wield it, and under the impulse of their own action, capital has been federated against them.

From the trade-union point of view one of the most regrettable events of the last few months has been the decision of a section of the London Boiler Makers to repudiate the action of their own chief executive officers in reverting to what is called the Agreement of 1892. Except in the extreme case of representatives not acting in good faith, it is almost impossible to conceive of circumstances that could justify the conduct of the London men. They were certainly not present in an arrangement that still left the London ship repairers "eight hours per day, and full rates of wages;" and Mr. Knight has done an immense service to trade-unionism by his firmness in adhering to a bargain formally made. The London men, even after their month of disloyal revolt, will perhaps be among the first to recognise this when the postponed negotiations between the Federation of Engineering and Ship-building Trades and the Employers' Federation on the question of hours are resumed. The charge of repudiation—of being members of an association that has no corporate conscience, and with which, therefore, no general understanding can be arrived at—is one of the mos

¹ Vol. x., p. 416.

serious that can be advanced against organised labour ; and it is by Mr. Knight and the Central Executive of the Boiler Makers, backed up by the rank and file of their members, that this society as a whole has been saved from this grave accusation.

In order to understand the struggle in which the Engineers and Allied Trades have been engaged, it has been necessary to go deeper than the consideration of any concrete claims which have been formulated. The claim for a forty-eight hours' week is a great demand, but it has not been this alone which has welded the employers, many of them in keen competition with each other, into a solid fighting federation. And on the other hand, it has not been simply the desire for a shorter working day that has generated the fierce determination of which the *Daily Chronicle* speaks, or sufficed to make the ranks of the men show a firmness unprecedented, perhaps, in the history of labour disputes.

One of the most significant and unsatisfactory features of the struggle has been the absence of any well-defined issue. Except as regards the London demand for a forty-eight hours' week, no one can say with precision what the fight has all been about. The public has known that the gloves were off, but few can tell what the stakes have been. It is this feature of the dispute which has probably made the Board of Trade resist the demand formulated in some quarters for the independent inquiry and report which the Conciliation Act sanctions. On both sides there have been lurking and undefined suspicions, affording the main explanation at once of the bitterness of the struggle and of the difficulty of finding a solution that should give not only a truce but peace.

The complaints of the employers as to the interference of trade union officials and shop stewards can almost always be expressed in terms of complaint of the ineffectiveness of work, and in an industry in which the more general system of payment is by time, and in which machinery and machine tools are constantly associated with labour, the importance of this complaint is greatly increased, since much more than the energy of the individual man is curtailed. When this policy of the repression of energy is carried to an extreme, the advantages of collective control and uniformity and stability of conditions which a strong and well-managed trade union can at the present time do most to secure, are in danger. In resisting the stress and strain of the methods of Pennsylvania in the West, many English engineers have tried to secure for themselves too Oriental a day. Instead of seeking to maintain a desirable uniformity of conditions, they have often put a premium on mediocrity ; in avoiding a too great intensity of application, they have limited efficiency to a dangerous extent, and have done much to plunge a great industry into one of the most serious industrial conflicts which has been ever waged.

We do not fear for the result, and trade unionism itself will rise

chastened from the struggle. But trade unionism has been endangered, not so much by the policy of the employers as by the policy of the trade union itself. Employers do not fight shoulder to shoulder and sacrifice profit and trade as they have done during the last five months until they are convinced that they must resist claims which are unreasonable and methods which are paralysing and harmful.

The experience of the dispute has afforded yet another illustration of the impossibility of having recourse to any regulative machinery for the solution of industrial disputes if either party is averse to them or thinks them unnecessary. Industrial peace is like the Kingdom of Heaven: it must come from within and cannot be ensured by any outside agency.¹ The results of the conferences which are now being held cannot be forecast; but, although the outlook of the moment (November 30th) is none too bright, we may hope that both employers and employed will pause long should either be tempted to continue a struggle that the Chairman of the former has himself described as "fratricidal."

ERNEST AVES

November 30th.

PARLIAMENTARY PAPERS.

Trade of the British Empire and Foreign Competition, 1897 [C. 8449].

THE replies to Mr. Chamberlain's despatch requesting returns in detail of the amount and causes of displacement of British by foreign goods in the various colonies, form a bulky volume. In it is gathered a great quantity of information relating to this most important question, but it must be confessed that the real addition to our knowledge of the subject is not as great as might have been expected. Probably the exhibition of the samples, sent to show precisely what are the goods in which foreigners compete successfully, will do more than the publication of the official replies to the despatch.

The despatch requested a return of the amounts of the imports in each of the three years 1884, 1889, and 1894, into each of the colonies, classified in a prescribed fashion, "whenever (and only when) the value of any article so imported from any foreign country or countries, was five per cent. or upwards of the total value of that article imported

¹ In New Zealand the power of compulsory reference of industrial disputes to Local Conciliation Boards or to the Supreme Arbitration Court of the colony has so far been used successfully in sixteen cases. The preventive aim of the Act is altogether admirable, but the colonial machinery would seem to be inapplicable to the much more complex industrial and political life of England. It is noteworthy that so far the administrators of the Act have never been confronted by the test difficulty of a refusal to accept an award, and that the powers of the Supreme Court of endeavouring to enforce the acceptance of an award by fine have, in consequence, never been used. Up to the present time, therefore, the Act must be regarded simply as an interesting and hopeful experiment of the Colony.

into the colony from all sources and when the total value of that article imported was not less than £500."

Many of the colonies were unable to supply a return in the prescribed form, and the returns sent were prepared in the best way possible from the trade returns of the colonies, so far as these supplied the necessary information. The limitation of the returns to the more important articles of import, and those where foreign imports reached to five per cent. of the whole, confined the special particulars to, on the average, about 38 per cent. of the total colonial imports. The summarised results are stated as follows (quantities in millions sterling):—

Value of Imports.	Goods in which Foreigners compete. (00000's omitted).			Total Trade. (00000's omitted).		
	1884.	1889.	1894.	1884.	1889.	1894.
From all sources	£ 58.1	£ 57.5 ¹	£ 49.9	£ 138.0	£ 152.3	£ 139.8
From foreign countries ...	14.9	15.7	15.9	35.6	37.4	44.0
Percentage of foreign.....	25.7	27.3 ¹	31.9	25.8	24.6	31.5

If the exchanges between the Australian colonies were counted as domestic trade, the proportion included in the special return would be shown as about one-half of the whole trade of the colonies, but, as seen, less than one half of the foreign imports are included in it. On reflection, this is distinctly strange.

A word of explanation will make this clear. Taking the year 1894, for example, of the total imports, some fifty millions showed foreign competition of at least 5 per cent., actually averaging about 32 per cent. The remainder, nearly ninety millions in all, should embrace (a) the goods in which the total importation into any colony fell short of £500 per annum, (b) the goods in which the imports from foreign countries were returned at less than 5 per cent. With regard to (a), as the number of headings and sub-headings was only about 170 to 180 where the details were fullest, the total which could fall under this head cannot be reckoned at more than about 3 millions. Under (b) the total foreign imports cannot exceed (say) 4½ millions. Thus, even supposing the whole of the less important headings to be foreign imports, it seems difficult to account for more than 7½ millions of the 28 millions of foreign imports not dealt with in the special reports. It is clear, therefore, that, on the statistical side, there is a want of completeness in the returns accompanying the replies to the circular despatch of November 28th, 1895. The introductory memorandum comments on the facts summarised in the above table, thus:—"The conclusions to be drawn from them are therefore on a sufficiently

¹ The Blue-book gives 56.5 and 27.8 per cent., due to an incorrect addition of the items.

broad basis to permit of their being received with some confidence." This is, perhaps, true if we do not commit the error of supposing that the special return embraces more than the half of the limited, though wide, statistics applied for.

In regard to the selection of individual years for comparison, it is only fair to say that the selected years were, in general, not unrepresentative. The difficulty of securing a sounder basis by taking averages of three or five years was practically too great to be faced. It would be well to remember, however, that 1884 was only removed by one step from the year of maximum trade prosperity 1883; that 1889 was again a year immediately preceding the highest point of another wave of trade prosperity; whereas 1894 was the lowest point of a depression.

The amount of reliance to be placed on the indications of these figures turns out, however, to be further reduced by the inevitable want of correspondence between what they are supposed to represent and what they actually do mean. The country of origin of goods means, in the returns, in most cases at any rate, the last port from which the ship which brings them cleared. Thus, much foreign produce arrives in ships from England and appears as British, while no inconsiderable amount of British produce is conveyed in foreign ships, arriving in the colonies from foreign ports. The British goods which they bring may have been shipped in an English port or may have been sent to a continental port for trans-shipment in order to take advantage of the lower freights from continental ports.

Another point in the same connection is that any apparent increase of foreign goods may be due to either of three causes:—(a) a real increase in the imports of foreign merchandise, (b) a growing habit of purchasing from the actual country of origin goods which were formerly purchased in England and not, in many cases, known to be foreign, (c) the establishment of direct sailings from continental or American ports, so that facilities for dealing direct are greater than formerly. For such reasons as these latter, the apparent increase of imports from various foreign countries does not, with certainty, correspond to the real increase, while for such reasons as those before named, the actual extent of foreign competition in colonial markets may be quite other than is represented in the published trade-returns.

It does, however, appear from the careful inquiries made in response to Mr. Chamberlain's request, that the opinion of those most competent to judge is, that there has been a displacement of British by foreign goods, though not to such an extent as to justify the current alarmist statements on the subject. In particular lines a movement of the opposite character is even noted.

Of the causes assigned for the success of our competitors, consular reports have already acquainted us with the general substance. On all hands similar complaints are made of a lack of adaptability of the British makes of goods to the markets. A peculiar example (not a solitary one of its own kind) of this may be quoted from

Hong Kong. "With the English manufacturers there is always a great deal of trouble as to shades of colours. It is a very important matter, and the English manufacturers always maintain that their shade is better than the samples sent home to them. They will not see that the shade of colour that is more beautiful to the European eye may be quite different to the Asiatic." We need not continue the quotation. What is here alleged in regard to colour is elsewhere alleged in regard to other details of manufacture. The foreigner, having to create business, pays close attention to the details which will give him an opportunity to compete on favourable terms, takes small orders in the hope of getting larger ones later, changes his patterns to suit his customers, and in every way adopts tactics calculated to lighten his task in competing with established traders. His success sometimes turns on the question of packing. This may operate in two ways. It may secure lower freights through economy of space; and it may also enable the store-keeper to stock the goods with greater convenience and less liability to loss from deterioration, making them at the same time more presentable to customers. The Americans appear to be especially smart in this matter of packing. An extremely important feature of the reports is the stress laid on the superior finish given to goods of low quality by foreign makers. This is expressed in many ways and in regard to many classes of goods. In this connection may be noticed complaints of a similar kind, such as those relating to certain lamps of which the best were English, but "they are solid and heavy and lack taste in the get up." The British manufacturer appears unwilling to waste energy in giving better finish rather than better quality to an article, and thus loses many markets.

A point on which a great deal of stress is laid is that, in many colonial markets, the general poverty of the natives or settlers compels them to prefer low-priced goods. In times of commercial depression, the general reduction in purchasing power gives the lower-priced articles a chance, even in markets where better qualities had formerly been common. Subsequent better times do not necessarily restore the demand to its former channels, and thus the foreigner absorbs an increasing proportion of the trade through offering goods which, even if of poorer quality, cost less. It is not a necessary consequence of the lower cost of the foreign commodity that it should be of poorer quality, though this is often assumed. American tools, for example, appear to be a conspicuous instance of at least equal quality, lower price, and greater suitability to the particular purposes for which they are required, as well as neater packing, preserving a fresh appearance and enabling them to be shown to purchasers with greater ease. In printed cotton fabrics, too, superior taste and less adherence to old patterns, is assigned as a reason for the easier sale of American than of English goods. More rapid and frequent communication, by enabling stocks to be easily replenished, gives America an advantage

in our West Indian possessions. What may be called "personal factors" are also of importance in some instances.

An important question raised is that relating to freights. The effect of government subsidies is pointed out, in maintaining certain lines of ships and more frequent services than ordinary competitive trading might secure, and thus offering facilities for shipment at low rates. A point of greater importance, and worth the attention which the Manchester Chamber of Commerce is reported to be devoting to it, is the effect of shipping syndicates in various forms, which result in goods being carried from continental ports at lower rates by far than those charged from British ports for goods conveyed on the same ship.¹ A similar case is that of cotton piece goods which are sent from New York to Shanghai with trans-shipment at Liverpool for 25s. to 26s. 6d. per ton, while the same class of goods from Liverpool, on the same steamers, pay 47s. 6d. per ton. The American goods will be charged some 7s. 6d. per ton for the transatlantic part of the journey, leaving the rate from Liverpool well under the half of that paid for English goods of the same class. Examples could be multiplied.

This question of freight, and some of the other points noted, seems likely to be of more importance to the dealer who will handle the goods in the colonies than to the ultimate consumer. It is obvious, surely, that it is no less effective in encouraging the diversion of trade.

The effect of the Merchandise Marks Act on colonial trade with this country would appear from this report to be more apparent than real, apart from the fact that the profits attaching to the handling of the foreign goods, once purchased in England, but now obtained direct owing to the fact of their foreign origin having become known, no longer accrue to our merchants, nor do the freights fall so largely as of old to British shipowners. A dangerous corollary to sending our customers to the Continent for the continental goods formerly supplied through our agency, is the liability to extend their dealings beyond these classes of articles, to others of which the supplies have hitherto been of British make.

The samples of foreign competing goods which have been exhibited have been variously criticised. Some condemn their poor quality, and trust that British manufacturers will never condescend to imitate them. Of course, this attitude may be strongly defended, and loss of trade may be preferable to trading in rubbish. All the exhibits are not of this nature, and there are valuable lessons to be learned from a comparison of the goods exported from this country with some of those which successfully compete with them in colonial (and it might be added, not alone in colonial) markets. It is clear that the maintenance of the volume of British export trade will not be possible without strenuous efforts on the parts of those concerned. It is difficult to regain markets once lost.

A. W. FLUX

¹ On this point, cf. Elijah Helm in the *ECONOMIC JOURNAL*, March, 1897.

Proceedings of a Conference between the Secretary of State for the Colonies and the Premiers of the Self-governing Colonies . . . June and July, 1897. [C. 8596.]

A SPEECH was made by Mr. Chamberlain, and resolutions were passed by the Conference, on the political, military, and commercial relations between the different parts of the Empire.

"*Inter alia* in the hope of improving the trade relations between the mother-country and the Colonies, the Premiers present undertake to confer with their colleagues with the view to seeing whether such a result can be properly secured by a preference given by the Colonies to the products of the United Kingdom."

Correspondence respecting the Termination of the Commercial Treaties between Great Britain and Belgium and Great Britain and Germany. [C. 8442.]

THE Treaties are denounced as not recognising the "complete tariff autonomy" of the self-governing Colonies, and as constituting a barrier against the internal fiscal arrangements of the British Empire.

Report on the Economic and Financial Situation in Italy. [C. 8278]

THIS Report deals with trade, shipping, banking, and commerce. The value of exports to France fell from £15,250,000 (roundly) in 1887 to £5,500,000 in 1894, in consequence of the tariff war with France; while the value of the total exports from Italy which had reached £39,500,000, fell in 1888 and three following years to an average of £34,000,000. During the last four years the higher figure has been regained. Total imports have shown a greater decline and less recovery; the rise in the percentage of duties contributes to this effect. Imports of manufactured goods from Great Britain have declined both absolutely and relatively to other countries. This is attributed to the paucity of our "travellers" and the conservatism of our manufacturers. Italian *shipping* has not flourished as much as the system of subsidies promised. Perhaps monopolies have been created thereby. *Banking* is largely co-operative. One co-operative institution, the "Monte Frumentari," has existed since the 15th century. A curious feature in the Casa di Risparmio of Lombardy is the application of net profit to purpose of public utility. Thus 17,000 lire were devoted to the International Congress on accidents to workpeople, &c. With respect to *industries*, even Signor Bodio has not been able to obtain exact statistics. He has made a calculation from the consumption of coal, of the amount of power employed in industry. Details as to the conditions of labour in a great variety of industries are given. In the cotton industry, for example, it is calculated that in Italy it takes 58·4 hours of labour,

costing 6·18 lire, to produce 100 kilos of yarn, while the same work could be done in England for 6·91 lire in 29·3 hours.

Revenue and Expenditure of the Chinese Empire. [C. 8278—14.]

THE part of the revenue which is at the disposal of the Imperial Government and the total revenue collected by the provinces are separately analysed. The first amount, which forms a pretty constant charge on the second, includes (1) Rice tribute in kind or commuted. Above 100,000 tons of rice are sent by two provinces to the Government granaries near Peking, worth say 2,600,000 taels, exclusive of wasteful transport charges. The payments *in kind*, together with *commuted* payments in silver, make up 5,000,000 taels. Perhaps 6½ millions is collected from the people, and sticks in the hands of officials. (2) The levy in silver called the Peking supply comes to 7,000,000 tael. Certain extras make up 7½ million tael. To the 19½ million tael thus levied from the provinces is to be added a contribution from the Imperial Maritime Customs. The accounts of the total revenue show enormous peculation—or call it subtraction for the payment of officials—under some heads. The yield of the land-tax to the revenue is put at 25 million tael; the peasant population perhaps pay 70 million! The salt tax yields above 13½ million teal. The analogy of India shows that there is room for great expansion under this head, were the administration honest. The “likin” on merchandise is raised at stations along the main routes, and at the great towns, so that an article may be taxed 2 or 3 per cent. at each of four successive barriers in the same province; after which it is free for the rest of that province, but not in another. The charges are capricious, determined mostly by higgling between the merchants and officials. The latter, however, do not exercise a monopoly; there is a competition between the offices on alternative routes, who underbid each other to attract business. Under the head of miscellaneous, the sale of titles and official rank forms a considerable item. The revenue from all sources amounts to 88,979,000 tael—£14,829,000. The expenditure of this sum on different objects is analysed.

Report for the Year 1896 on the Trade of China. [C. 8648.]

THE volume of China's foreign trade increased in 1896 as compared with 1895 and (most of) the preceding ten years; whether measured in sterling gold or silver taels. The reporter (Mr. Grosvenor) thinks the former a better measure of quantity, since the silver tael (= in 1896 3s. 4d. sterling) was depreciated with respect to *cash*—the true unit of currency in China—and cash has depreciated with respect to commodities in general; so that the gold price of Chinese commodities has not fallen in proportion to the gold price of silver. The increase in the volume of Chinese trade has been attended with an increase in the share enjoyed by the British Empire. The trade

between China and the British Empire amounted in 1896 to 39½ millions sterling (nearly), against 35½ millions in 1895; while the trade between China and other countries declined from 18 millions to 17·8 millions. One remarkable item is the increase in the exports of *tea*—mostly green—to India. Other heads on which there is interesting information are cotton mills, cotton goods, opium, and silk.

Review of the Trade with India in 1895–96. By J. E. O'Connor. [C. 8297.]

THE volume of India's exports and imports increased in 1895–96 as compared with the preceding year; the direction was somewhat altered by the development of the trade with the European continent and with Japan, whose products are increasingly exchanged against Indian raw cotton.

Correspondence respecting the Proposals on Currency made by the Special Envoys from the United States. [C. 8667.]

At a meeting held at the Foreign Office July 12, Senator Wolcott, special envoy, proposed as England's contributions towards bimetallism, opening of the Indian Mints, placing one-fifth of the bullion in the Issue Department of the Bank of England in silver, and other measures, concluding with "something having the general scope of the Huskisson plan." [? Bimetallism at a rate not fixed by international agreement.] At another meeting July 15, the French Ambassador explained that his Government would not consider the re-opening of the Mints of India by itself as a sufficient guarantee to permit the re-opening of the French Mints to silver, at the "normal ratio of 15½." The proposal to open the Indian Mints having been subsequently opposed by the India Government in a letter [noticed below p. 642], the negotiations terminated.

Fourth Annual Report of the Labour Department on Changes in Rates of Wages and Hours of Labour, 1896. [C. 8444.]

THE net result of all the changes recorded was a rise of wages amounting to £26,522 a week. The rise was marked in the engineering trade.

Report from the Select Committee on Government Contracts (Fair Wages Resolution). [334.]

In the clause "such wages as are generally accepted as current in each trade for competent workmen," the word "current" is usually and properly interpreted as "current in the district." However, in the case of Admiralty contracts it might be undesirable to insist on an interpretation

"which would have the effect of injuring, or even destroying, a great local industry on which many workmen are depending for a livelihood, and which motives of national policy, might render it prudent to foster."

Another exception is made with respect to men who have served in the Army or Navy:—

"Your Committee consider that Government contractors should not be called upon to refuse to engage them at wages commensurate with their capability, even though those wages might be less than the ordinary current rate, provided that the wages of other workmen could not be shown to be adversely affected."

*Her Majesty's Women Inspectors' Department, Annual Report
for 1896.*

THE women factory inspectors, in presenting their report to Mrs. Tennant, note the increased efficiency of their work due to her appointment as H.M. Superintending Inspector of Factories.¹

Their record of work for the year, in addition to various special inquiries, is as follows: 381 definite complaints were received and investigated; proceedings were taken in 74 cases, and convictions obtained in 72 of these; 669 defects were pointed out in 69 localities to the local sanitary authorities. The report contains important information as to the working of the Factory and Workshop Act of 1895, and raises many questions which will have to be faced in any further legislation. It is pointed out that § 35 of 1895 (which has regard to the provision of sanitary conveniences) is especially useful in Scotland, where the Public Health Act (Amendment Act) 1890, is not in force; but great difficulties are still encountered in obtaining recognition of even the most elementary requirements of propriety and decency.

As regards ventilation, so long as no standard of maximum impurity is fixed by law, in cases where no special gases, vapours, dust or other impurities (1878, § 3) are generated in the process of manufacture, the result is not likely to be very satisfactory. It is, in fact, left to the workers to settle by the force of argument between the merits of an unhealthy atmosphere or piercing draughts from window or skylight. The new regulations fixing a minimum of cubic space present the further difficulty that the occupier's excessive pride when he allows more than the space required makes him apt to regard any aspersions on the quality of the air as an absurd fad.

The women inspectors strongly urge the advisability of prohibiting the employment of children and young persons in cases where a high

¹ Since Mrs. Tennant's resignation, the title of the head of the women's department has been altered, and her powers are, presumably, no longer the same as those of H. M. Superintending Inspectors of Factories.

temperature is necessary. They further suggest the importance of fixing a minimum standard of examination for certificates of fitness, and the value which would attach to statistics not merely of disease and mortality, but as to the general health of young workers.

Great stress is laid on the absence of regulations enforcing the provision of drinking water in factories. The processes in use are often such as to excite thirst in the workers, and, at present, inspectors can only *recommend* that pure water should be provided. In one case cited, the manager alleged that the workers would prefer the "ginger-pop" shop across the way. This excuse, with its probable euphemism, suggests a strong reason for regulation: another, equally strong, is supplied by the account of the insanitary conditions under which water is often supplied to workers.

It is impossible to comment on all the interesting and important matter contained in the Report, but a few remarks must be made on the effect of the inclusion of laundries under the Acts. As the workers begin to realise how little improvement is really effected in their conditions, it is not astonishing to learn that much disappointment is expressed by all except the packers and sorters who benefit by the limitation of sixty hours per week, as they had frequently worked seventy to eighty. Both employers and employed are not unnaturally surprised at the fourteen hours legal day, as hitherto anything over twelve hours had been regarded as "overtime" and paid for at an increased rate. The regulation enforcing the provision of an extra meal during overtime (1878, 53, [1]) does not apply to laundries, and the workers can consequently be legally employed from 5 to 10 o'clock without a break. They cannot, of course, claim a Saturday half-holiday, as many of them had expected. Miss Anderson points out that the hours of laundry workers in many Yorkshire and Lancashire towns are, as a rule, practically assimilated to those in the textile factories, and suggests that this fact may be regarded as "a gauge of the force of the argument against a regular daily, instead of the present weekly, limit."

MONA WILSON

OBITUARY.

HENRY GEORGE was born in Philadelphia in 1839, and after a short time at sea settled down in San Francisco in 1858. He lived there first as miner, then as government inspector, then as journalist, for twenty years or so. He published there his first book, *Our Land and Land Policy* (1871), which contained his leading idea, but made little impression compared with *Progress and Poverty*, begun in 1877 and published in New York in 1879. Republished in England in 1880, this book soon attracted attention. Henry George visited this country,

was received with a flattering amount of recognition, and even made some converts. He took the side of the Irish Land Leaguers, spoke for them (June, 1882), and wrote a pamphlet for them on *The Irish Land Question, what it involves, and how alone it can be settled*, (1882). On his return to the States, he made New York his headquarters, writing *Social Problems* (1883), and keeping his views before the public by newspapers, organisation, and agitation. His personal sincerity and honesty were undoubted. He had written frankly (*Irish Question*, p. 61), "The masses of men hardly think at any time;" but he himself received 68,000 votes from the masses for the Mayoralty of New York in 1886. He was bold enough to defend free trade in his book on *Protection, or Free Trade Questions with regard to Labour* (1886), with a dedication to the French Physiocrats. He was standing for the Mayoralty of New York for a second time, in the interests of sound administration, when he was suddenly removed by a stroke of apoplexy on 29th October, 1897. The election took place on 2nd November, and Judge Van Wyck was elected. George had not redeemed his countrymen.

In his chief book he asks the question "Why material progress and poverty seem to go together?" and his answer, after many economic prolegomena, is that the private ownership of land is the cause of the poverty, since the progress increases the value of land and the rents of the owners. He proposes as the remedy, that the taxation of land should be increased till it swallows up these rents.

In the land of Spence, Spencer, James Mill, and Dove the idea of the "nationalising" of the land was no novelty, and it cannot be said that George has thrown light on any part of economic theory. Yet in his crusade he appealed to reason as well as feeling. He did not preach a reform of morals, or a new religious hope, but rather the stern enforcement of the decrees of justice new interpreted. There is little doubt (in spite of such attacks as the *Ideo-kleptomania* of J. W. Sullivan, 1890) that to his own mind, the interpretation was a new one, and equally little doubt that it was new to most of his hearers. Most men are ready to think their rents are too high, and their salaries too low. But it was news to most that all rents were sinful, and that the absorption of them in the public exchequer would usher in the millennium. English land reformers as a whole were not converted by George, but retained the principle of compensation. The Irish peasants preferred to keep their farms in their own private ownership. Socialists saw in George's plan only a step in the right direction, and certainly no finality. But George has done service by writing in large characters the dangers of monopoly and the latent instability of many institutions in our present civilised Society. J. B.

A sudden illness has carried off a rising Italian Economist, Ugo Rabbeno, Professor at Modena. Our readers will remember the clear

account of a metayer's family budget which he contributed to the *ECONOMIC JOURNAL* of 1894. The observation of facts was elsewhere justly insisted on by him as an essential part of economic method. He himself exemplified an excellent variety of method in his great work on "Co-operative Production." He not only observes but explains facts. For instance, he not only describes the primitive forms of co-operation in cheesemaking which exist in some mountainous regions, but also reasons that the circumstances favourable to their existence are little capital, divided soil, common pastures, and so forth. This is Mill's "Historical" (or inverse-deductive) method,—something very different from the mere compilation of facts which the extreme partisans of the "historismus" of a later generation have extolled. Like most men of ability, whatever "school" they may belong to, Rabbeno did not scruple to employ deductive reasoning freely on occasion. Thus in his work on American Protection he has employed the Ricardian theory that a rise in wages affects the relative value of goods in so far as fixed capital enters in different proportions into their production. This theory is applied to explain the commercial relations between America and England with almost Ricardian boldness. The book on American Protection was to have been followed by one on Australian Land Legislation. To have left this work incomplete embittered his dying moments. The pathos of that untimely death is expressed by Professor Loria in the touching *éloge* of his friend and colleague which he has contributed to the *Giornale degli Economisti*, October, 1897.

CURRENT TOPICS

THE special envoys who, as mentioned in a former number of the *JOURNAL*, were sent to Europe by the United States to conduct negotiations in favour of a bimetallic policy, were not so cordially received in this country as in France. The first proposal to come to light was that the Bank of England should hold a certain amount of silver against its notes, as permitted by the Act of 1844. The Governor of the Bank, consulted by the Government, expressed himself (July 29) as—

"prepared to carry out what is laid down as permissible in the Bank charter—namely, to hold one-fifth of the bullion held against the note issue in silver, provided always that the French mint is again open for the free coinage of silver, and that the prices at which silver is procurable and saleable are satisfactory."

This policy was opposed by the Committee of London Clearing Bankers, who, on September 22, resolved that the firms which they represented—

"entirely disapproved of the Bank of England agreeing to exercise the option, permitted by the Act of 1844, of holding one-fifth, or any other proportion whatever, of silver, as reserve against the circulation of Bank of England notes."

The scheme was involved in the fate of the principal proposal made by the envoys, namely, that the Indian mints should be re-opened.

"Her Majesty's Government do not feel it to be necessary to discuss them at the present moment," writes Lord Salisbury, referring to the subsidiary proposals, on the occasion when he announced that the principal proposal could not be accepted.

THE great epistle from the Indian Government which led to the discontinuance of the recent bimetallic negotiations, could not have given unmixed satisfaction to the extreme partisans of either form of "metallism." On the one hand, the practical conclusion which the monometallists desired was strongly urged. But, on the other hand, the premises on which the general reasoning in favour of bimetallism rests were not renounced. The writers do not recede from the position of Lord Lansdowne's Government, who approved "an international agreement for the free coinage of silver, and the making of both gold and silver coin a legal tender at a fixed ratio, by a group of nations possessed of a metallic currency of sufficient extent to maintain that ratio permanently." The efficacy of an international agreement under such conditions is not disputed; it is only denied that the conditions are now fulfilled. The arrangement would rest on too narrow a basis. A union of two countries, with a third lending assistance, is a very different thing from the general international union of all, or most, of the important countries of the world, which was advocated in 1892. The important source of doubt lies in the consideration that a three-sided agreement is open to much greater risk of termination by the action of one or two of the parties than a many-sided agreement such as was before advocated. There are also alleged the possibility that either France or the United States may be temporarily reduced to a paper currency; and the improbability of France and the United States allowing their gold to disappear. The Government of India anticipate the failure of the proposed arrangement for the above reasons alone, without taking into consideration the objections based on the particular ratio $15\frac{1}{2} : 1$. The adoption of a ratio so widely different from the market one would probably, they say, cause intense disturbance of Indian trade and industry, perhaps, a permanently disastrous result. In case of failure, while France and the United States would be able to safeguard themselves, the whole cost of the experiment would fall on India. The rupee after having risen swiftly would when the collapse came fall headlong. It would be practically impossible for India to close her mints again. She would have to remain permanently under the silver standard with all its admitted disadvantages. One of the arguments frequently employed in favour of bimetallism was now employed against this particular bimetallic proposal. The scheme if successful would probably cause gold prices to rise in France and the United States; silver prices to fall in India. Those States presumably

contemplate with equanimity the rise ; not so India the fall ; which would seriously affect the prosperity of agriculture, the relation between the price that the ryot can obtain for his produce and the assessment he has to meet being disturbed.

The crowning argument against the new departure is the almost secured success of the system adopted in 1893. The proposal comes inopportunistically " at a time when we are to all appearance approaching the attainment of stability in exchange by the operation of our own isolated and independent action."

The intentions of the Indian Government as to the future are expressed as follows :—

" It is probable that the Indian mints will be opened to gold, and gold coins will be made legal tender to an unlimited amount ; silver rupees would also continue to be legal tender to an unlimited amount ; and the ratio between the rupee and the gold coins as legal tender would at the same time be finally settled. The system towards which India is moving is thus a gold standard of the same kind as that which now exists in France and the United States."

" Thereafter the expansion and contraction of the currency will be left to the natural forces of the market ; that is, it will be regulated automatically by the inflow and outflow of gold."

The familiar images raised by these words—gold coins circulating throughout the country and large masses of gold bar flowing now into and now out of the country—are perhaps inappropriate. When the Government say, " We shall in the near future succeed in establishing a stable exchange at 16*d.* the rupee by continuing the policy initiated in 1893," they presumably mean only that 16*d.* gold shall be convertible for a rupee, but not *vice versa*. A standard of this sort could probably be maintained without the accumulation of a great quantity of gold in the country. But the arrangement would be open to the objection insisted on by Mr. Lindsay on a preceding page, that the danger of the rupee falling below the normal 16*d.* is not guarded against. Attention should be called to the plan which Mr. Lindsay advocates ; that rupees should be convertible, not indeed into gold coins for which the demand might be enormous, but into gold bars, which the natives are not likely to demand on a large scale.

THAT the proposal made by the envoys in favour of bimetallism at the ratio 15½ : 1 was, even upon bimetallic premise, dangerous is evidenced by a powerful letter from Professor J. S. Nicholson, which was published in the *Scotsman* of October 13. He argues :—

" Now that the depreciation of silver and the fall in gold prices have been going on for about a quarter of a century, we must suppose that a great deal of the business of the world has been adjusted to this lower level. Accordingly, to revert simply to the old ratio, and to rehabilitate silver as standard money on that basis, would be to set in motion a fresh series of disturbances. . . .

But a rapid transition in general prices such as is contemplated would certainly lead to unparalleled speculation, and to financial disturbances on a gigantic scale."

Replying to Mr. Beeton's reasoning in favour of the 15½ (in the *National Review*), Professor Nicholson asks :—

"What is to prevent the gold in these countries from rising to a premium and circulating side by side with silver at the acknowledged premium?"

So according to Professor Marshall (in a letter to the *Times* published October 6) there is one kind of bimetallism which aims—

"at forming the relative values of the two metals in about the ratio of their cost of production, so that the strong power of an international agreement may have the support of the still stronger power of Nature, and keep the ratio unshaken for half a century or more."

But there is another kind of bimetallism—

"which is opposed to Nature's present indications; which, even if it could be built up, would at once be assailed and probably overthrown ere long by her action."

Mr. Courtney, speaking at Fowey, October 29, expressed the opinion that—

"the Indian Government would have done well if they had undertaken to open the mints to the coinage of silver as soon as the price of silver should reach the level of 1s. 4d., reserving the right of closing them again if the price should sink below that level."

UNDISTURBED by the din of monetary controversy, our Indian correspondent, Mr. F. C. Harrison, continues to work at the great problem of which he propounded the approximate solution in the *ECONOMIC JOURNAL* some years ago—to determine the amount of the rupee circulation in India. It will be recollected that his computation, like that of Jevons, rests mainly on two data, (1) the number of coins of a certain date which are in circulation, and (2) the proportion of that number to the total number of coins of all dates. For the first datum, Jevons employed a recent coinage. Mr. Harrison has understood how to bring to bear the collateral support derived from the data relative to past years, as explained in a former number of the *ECONOMIC JOURNAL* (vol. ii., 162). He now places the coping-stone on the beautiful structure by utilising a datum of great antiquity, the William IV. rupees of 1835. The recall of these coins, which is now going on, furnishes the necessary *point d'appui* for the reason, which is analogous to that employed by Newmarch when he estimated that the circulation of the United Kingdom was in 1844 about £49,000,000; since (1) the light gold recalled amounted to £12,000,000, and (2) it constituted about a fourth of the circulation. Mr. Harrison has not yet been able to obtain a premise exactly corresponding to Newmarch, since the recall of the William IV. rupees is not yet completed. But he has very ingeni-

ously supplied the deficiency by observing to what extent the percentage of the William IV. currency, relatively to the total circulation, was diminished in 1897, as compared with 1895, viz., by 85 per cent. Then, the amount withdrawn being given for those two years, namely, $86\frac{1}{2}$ lakhs (exclusive of Berar and Native States) he can argue—

$$\begin{aligned} \text{As } 85 : 100 :: 86\frac{1}{2} \text{ lakhs } [&= 8,650,000 \text{ rupees}]. \\ &: 101\cdot7 \text{ crores } [= 1,017,000,000 \text{ rupees}]. \end{aligned}$$

The percentage or proportion on which the reasoning turns is probably more accurately ascertained by Mr. Harrison than by Newmarch. Mr. Harrison has confirmed his calculation by separately applying it to each of the provinces from which altogether the above written $86\frac{1}{2}$ lakhs have been recalled. The result of this more accurate computation is 105·3 crores (against 101·7 by the summary method). The basis of the calculation is too small by the exclusion of Berar and Native States and certain other omissions mentioned by Mr. Harrison. Taking account of these he arrives at the result, 120 crores, which is comparable with 130 crores, the result of the original calculation. The accuracy of a commercial account is of course not to be expected in this higher branch of statistics. This new estimate approaches as near as could have been expected, and strikingly corroborates the original computation.

THE liberty which is essential to monetary as well as other sciences seemed to be threatened when it was announced that Mr. E. B. Andrews, the distinguished President of the Brown University, U.S.A., had felt constrained to resign the presidency in consequence of the pressure to which his opinions on the silver question had subjected him. The matter bore even an uglier aspect if, as suggested by some contemporaries, the cause of President Andrews was prejudiced by the offence which his powerful indictment against Trusts (in the *Quarterly Journal of Economics*) had given in capitalistic quarters. The danger called forth several deprecatory addresses to the Corporation of Brown University, one signed by six hundred students of the University. The "brief statement of opinion" offered by professors of Political Economy deserves to be put on record as a charter of academic liberty.

"To undertake inquiry as to the soundness of opinions expressed on any question or set of questions, must inevitably limit freedom of expression, tend to destroy intellectual independence and to diminish public respect for the conclusions of all investigators. . . .

"Whatever our own views on the subject in question, we believe that the sound and wise course is to leave presidents and professors to form their opinions with absolute freedom and to express them in such terms as in their own judgment are fit. Any interference as to specific opinions or utterances opens inquiries without assignable limit.

"Where shall the line be drawn as to what may be said or what not?

"Whatever at the moment may be the apparent gain from restriction with reference to a particular subject, and we believe that such gain can be only apparent, it is infinitely outweighed by the loss involved in the shock to freedom, independence, spontaneity and public respect for academic opinion.

"We therefore beg to express our earnest hope that your action on the proffered resignation of President Andrews will be such as to uphold and affirm without possibility of misunderstanding the principle of academic freedom."

To this protest are subscribed the most distinguished names amongst the professors of Political Economy in the United States: Professors Taussig and Ashley, of Harvard; Seligman, of Columbia; Dewey, of Massachusetts Institute of Technology; Irving Fisher, of Yale; Wilcox, of Cornell; Ely, of Wisconsin; James, of University of Chicago; Giddings, of Columbia; Adams, of Michigan; J. B. Clark, of Columbia; Gould, of Johns Hopkins; Jenks, of Cornell, and many others. We are happy to be able to add that the Corporation of Brown University has asked President E. Benjamin Andrews to withdraw his resignation, and has distinctly stated that it never intended to curtail or deny his "reasonable liberty of utterance."

DANGER to professional liberty is unfortunately not confined to Italy. Recent instances of this danger in other countries are referred to by Professor Nicholson on an earlier page. He alludes *inter alia* to the retirement of Professor Matteo Pantaleoni from the chair of Naples. Professor Pantaleoni's splendid "record" was described by us on the occasion of his appointment at Naples. (See ECONOMIC JOURNAL, vol. v., p. 678.) It should be referred to again now that he has been appointed to the Chair of Political Economy at Geneva.

THE second volume—or rather the first part of the second volume—of Professor Nicholson's *Principles of Political Economy* (of which the first volume was reviewed in the ECONOMIC JOURNAL for December, 1893) will shortly be published. There will be chapters on Money, Banking, and Foreign Exchanges.

THE Scottish Society of Economists, founded, as we recorded in a former number (vol. vii., p. 306), for the study of economic, financial and statistical science, held its first meeting in Edinburgh, last October, on which occasion Professor J. S. Nicholson, the President, gave an inaugural address, which is printed in the present number of the ECONOMIC JOURNAL.

THE Economic Society of Newcastle seems to have been functioning with great activity since its origination two years ago (see ECONOMIC JOURNAL, vol. v., p. 680). There are now 125 members. Among those

who have given lectures before the Society occur many names familiar to readers of the *ECONOMIC JOURNAL*—L. L. Price, John Rae, A. W. Flux. The last address was given by Mr. Flux on a subject which he has made his own, "Our Foreign Rivals."

MR. FLUX, who is specially conversant with the affairs of Denmark, sends us the following note relative to the Danish butter trade:—"In the *Times* of August 23 there appeared a summary of a pamphlet by Mr. D. Young, in which a number of extremely serious charges against Danish dairy-farmers were contained. More attention was attracted by these alarmist statements than by the letter of the Danish Government Commissioner, Mr. Harald Faber, in which, on September 3, he controverted some of the chief accusations. It would be a tedious task to follow Mr. Young in detail through the contents of his pamphlet, and it may be sufficient to express surprise that the columns of the *Times* should be made available for so obviously incorrect a statement as that the death-rate of Copenhagen is double of that of other leading European cities. The fact is that, in ordinary years, it is hardly possible to find a city of equal population with a death-rate so low. In the year ending September 30, 1896, it was only 16·7 per thousand. Possibly Mr. Young may have more accurate information on other points on which he touches, though he differs so widely from other and authoritative statements. Such careless statement of facts with which any one may easily acquaint himself does not inspire confidence in the accuracy of observations on the air-space, &c., of Danish cow-houses."

MR. ERNEST AVES, the author of the paper on the "Engineering Strike," printed in a preceding page (p. 623), and of other contributions which will be in the minds of our readers, has been appointed a member of the Council of the British Economic Association.

MR. A. L. BOWLEY has been reappointed Newmarch Lecturer at University College, London. The subject of his second course of lectures, which will be given next summer, is "English Wages in the Seventeenth Century," with special reference to the formation of a wage index-number.

THREE "conferences"—or addresses followed by discussion—on remedies for industrial difficulties have been held at Oxford this term. At the first meeting Mr. Reeves, Agent-General for New Zealand, described the scheme of Compulsory Arbitration which has been recently introduced in that colony (referred to below at p. 651). On other evenings the remedies of Productive Co-Operation and A Living Wage were advocated by Mr. Vivian and Mr. Sidney Webb respectively.

RECENT PERIODICALS AND NEW BOOKS

The Economic Review.

October, 1897.

The Workmen's Compensation Act.—W. WOLFF. *Is Co-operation a Failure?* JOHN M. LUDLOW, W. E. SNELL. *The Agricultural Labourer: a Rejoinder.* MARGARET PHILLIMORE. *The Value of an Ideal.* HELEN ALEX. DALLAS.

Socialism and Individualism: a Challenge and an Eirenicon. SIDNEY BALL.

Dissociating himself from "the carpet knights of the Fabian Society" and from "Mr. Keir Hardie's Ironsides," Mr. Ball re-states "the fundamental idea of Socialism" as the substitution of collective for individual control of industry. "As long as the livelihood of the people is made independent of private capital and enterprise," declares the Socialist, "the more private property and the more individual activity we have the better." Individuality, liberty, variation are not threatened by this "attempt to transform industrial relations from an oligarchic, plutocratic, and 'competitive' to a public, democratic, and 'co-operative' basis." "The supply of gas but not of artistic furniture would be controlled."

This conception has been missed by recent critics. Dr. Caird, in his *Individualism and Socialism*, holds that there is no antagonism between these principles, and demands, "in the interest of fair discussion and clear thinking," that

"Socialism should not be permitted to appropriate without acknowledgement whatever elements it thinks good from its adversary while still insisting on the purity of its own doctrine and keeping all the severity of its former censures upon that adversary."

He has missed the *economic* distinction between Socialism and Individualism. The "Six Oxford Men," in *Essays on Liberalism*, vainly talk of "materialistic programmes," "stereotyped officialdom," "State regulated existence," as the consequence of Socialism.

"Socialists," says Mr. Ball, "recognize that limits are set to the general control of production by the nature of the production itself." . . . "It is mere *νεότης* to argue that Socialists dream of municipalising the manufacture of cotton or ship-plates."

Under the head of *Legislation, Parliamentary Enquiries, &c.*, Mr. Cannan's remarks on the Report of the Committee on Government Contracts deserve attention.

Journal of the Royal Statistical Society.

September, 1897.

English Vaccination and Small-pox Statistics. NOEL A. HUMPHREYS.
Statistics of Small-pox and Vaccination. ALFRED MILNES.

To balance the arguments for and against vaccination, opposed in these two articles, is beyond the competence of one not conversant with the subject-matter. Attention may be called to Mr. Udney Yule's just remarks on the statistical methods of proving causation where several causes are at work, such as difference in sex, difference in respect of overcrowding, &c.

School Hygiene in its Mental, Moral and Physical Aspects. JAMES KERR.

Miscellaneous Applications of the Calculus of Probabilities. F. Y. EDGEWORTH.

Upon the "reservoir" theory, under ideally favourable conditions, the probability that bimetallism would prove advantageous when the next great monetary change supervenes is about 13 in 20. The advantage is more accurately measured by the computation that the average deviation of the Index Numbers from the normal level would be reduced in the proportion of 10:7. Considering variations in credit and other incidents as sources of disturbance equal to, and independent of, variations in the supply of the precious metals, the advantage is measured by a reduction of the deviations in the proportion of 10:9.

Journal of the Statistical Society of Ireland.

The Progress of Cooperation. REV. T. A. FINLAY. *Some Features of the Overtaxation of Ireland.* N. J. SYNNOT. *The Financial Relations of Great Britain and Ireland. The Expenditure Account.* A. W. SAMUELS.

The Nineteenth Century.

October, 1897.

On the Financial Relations of Great Britain and Ireland. Sir JOHN LUBBOCK, Bart., M.P.

The writer assumes without discussion that "the whole amount contributed by Ireland to Imperial expenditure is £2,000,000."

November.

The Monetary Chaos. Sir ROBERT GIFFEN.

The chaos has been caused by departure from elementary principles.

"The bimetallic agitators in the United States are responsible for flinging monetary questions into the gutter and exciting the passions of the populace about money—a crime of great turpitude."

"The Indian ryot is made to pay 50 per cent. more than he would have had to pay if the coinage had not been tampered with."

To give India a good money is a main problem. Sir Robert inclines to the restoration of the old standard of silver. Silver has suited

progressive India, just as gold not having appreciated with respect to income and wages has suited progressive England :

" Accident has done better for both gold and silver countries than the most laboured preparation beforehand could have done."

Fluctuations of foreign exchanges need not alarm us :

" When we look at the enormous foreign business done by the United States during the Civil War, with rapidly and violently fluctuating inconvertible paper, and at the business done in our own time by countries like Russia and the Argentine Republic with inconvertible paper."

Laissez faire " is especially commendable in affairs where it is impossible to forecast the *ultimate* effects of interference."

The Fur-pullers of South London. Mrs. Hogg.

The conditions under which the work of removing the long hairs from rabbit skins is carried on is found by personal investigation to be most ghastly.

Fortnightly Review.

November, 1897.

The Future of British Trade. J. B. KERSHAW.

The outlook under existing conditions is unpromising ; non-fiscal reforms, not much better ; is best under an Imperial Union.

The Contemporary Review

September, 1897.

Our Trade with Germany and Belgium. W. M.

October.

Bimetallism and the Bank. CORN HILL.

November.

Bimetallism and the Bank. H. R.

The Nation

September.

Shall Agriculture Perish ?

Great Britain's Oppressions.

Mr. James Mavor
on the decline
and Mr. H. B.
could maintain

November.

Compulsory Arbitration at Work. HON. W. PEMBER REEVES (Agent-General for New Zealand).

The leading features of the system which has been at work for three years in New Zealand are as follows: Any dispute between an employer and a trades union may be brought before a local Conciliation Board. Its award is not legally enforceable, but if it should not be accepted by all, one of the parties can appeal to the Court of Arbitration, which consists of a Judge of the Supreme Court with two assessors, representing employers and unions. The Court may take any sort of evidence. Its awards may or may not be enforceable. In the former case an individual employer or a trade union refusing compliance is liable to a penalty not exceeding £500. Should the funds of the union not suffice, each member is liable to a penalty of £10. This machinery has now been used sixteen times with success. South Australia has adopted a similar plan.

Great Britain's Duty. By several writers. A bimetallic quintette.

The Bimetallist for September and October contains *inter alia* much interesting discussion of the proposal that the Bank should hold part of its reserve in silver. One of the ablest statements in favour of that policy is made by Professor Foxwell in a letter to the meeting held at Manchester, October 12. (*Bimetallist*, p. 191.)

The Australian Economist for August, 1897, and the two or three preceding months, contains a discussion of *Federal Finance*, e.g., whether the contribution of the federated states should be proportioned to the number of heads or the amount of production, a discussion which may have some bearing on certain *Financial Relations* nearer home.

Quarterly Journal of Economics.

October, 1897.

The National Banking System. CHARLES F. DUNBAR.

Means are suggested for (1) admitting to the advantages of the National Banking System districts now excluded therefrom; (2) making the issues of the National Banks elastic as well as safe.

Charity and Progress. EDWARD CUMMINGS.

Philanthropy and evolution are met together in the author's model reformatory workhouse.

The Tariff Act of 1897. F. W. TAUSSIG.

A full analysis of the Act, followed by a forecast as to its consequences.

Political Science Quarterly.

September, 1897.

The Southern Farmer and the Cotton Question. M. B. HAMMOND.
Insurance against Unemployment.

Experiments made in Switzerland and elsewhere tell in favour of provision against lack of employment by the men themselves through their organisations, not upon hard and fast insurance principles.

Journal of Political Economy.

June, 1897.

Monetary Reform in Russia. H. PARKER WILLIS. A lucid exposition. *Fall in the Price of Silver since 1873.* E. S. MEADE. After a review of conditions affecting the price, the writer argues that silver is likely to expand *pari passu* with extractive products in general, since its supply is dependent only on the application of capital to well known ore deposits.

Journal of Political Economy.

September, 1897.

The Issues of the Second Bank of the United States. RALPH C. H. CATTERALL. *The International Typographical Union.* W. L. MACKENZIE KING. *The New Theories of Economics.* V. PARETO. [A defence of the mathematical method, with special reference to the writer's own work].

Annals of American Academy.

September, 1897.

The Shiftless and Floating City Population. E. T. DEVINE. [The home and school life of the young must be improved.] . . . *The Philosophical Basis of Economics.* S. SHERWOOD. *Current Transportation Topics.* E. R. JOHNSON.

Journal des Economistes (Paris).

September, 1897.

Les Travaux parlementaires de la Chambre des Députés. Les Gildes et les Corps de Métiers de la Ville de Riga depuis leur Origine. Mouvement scientifique et industriel. Revue de l'Académie des Sciences, morales, et politiques. Un bimétalliste Russe. Notes sur les Etats-Unis. Le neuvième Congrès des Banques populaires. Le "Tribut" international.

October.

Deux Périodes du Commerce de la France 1887-1891 et 1892-1896. Revue des Principales publications économiques de l'Étranger. Montesquieu Statisticien. La Population et les Finances de l'Italie au XVIII^e Siècle. Une curieuse Organisation industrielle aux Etats-Unis. Lettre de Pologne. Lettre d'Italie. Le Droit sur le Blé et le Renchérissement du Pain en Italie. L'Entente cordiale.

November.

La Centralisation. Le Cours forcé et la Reprise des Paiements au Chili. Le Mouvement agricole. Revue des principales Publications économiques en Langue française. La Question monétaire en 1897. La Mission Wolcott. L'Assistance par le Travail, aux Etats-Unis. Antonio Rosmini et l'Économie politique.

Revue d'Économie Politique.

August-September, 1897.

Comment définir la Participation aux Bénéfices. M. VANLAER. *La Répression du Travail en Chambre.* E. SCHWIEDLAND. *L'Étalon d'Or au Japon.* M. BOURGOUIN. *Les Théories psychologiques de la Valeur au XVIII^e Siècle.* A. DUBOIS. [The theories of Galiani, Turgot, and Condillac are reviewed.] *Le Congrès colonial international de Bruxelles.* A. GIRAULT.

Jahrbücher für Nationalökonomie.

September, 1897 (No. 2).

Herder und Kant. . . . K. LAMPRECHT. *Ueber den Gewerbebetrieb im Umherziehen.* A. RÖSSGER.

October (No. 3).

Die Erfahrungen in den deutschen Gewerbeberichten. J. JASTROW.

October (No. 4).

Die neue Organisation des Handwerks und die Regelung des Lehrlingswesens. THILO HAMPKE, KARL MARX, ERNST LANGE.

The Archiv für Soziale Gesetzgebung und Statistik. Vol. xi (1897), Parts 1 and 2.

Die theoretische Basis der britischen Gewerkvereine. SIDNEY und BEATRICE WEBB.

The explanation of Trades Union policy is found in the principles of vested interest, of free competition, and of the living wage.

There are also important articles, *On the New German Labour Laws* by Dr. PAUL VOIGT, *On the Swiss Factory Legislation* by OTTO LANG, and *On Female Inspectors of Factories in the United States* by FLORENCE KELLY.

Parts 3 and 4, *Die englischen Gewerkvereine nach ihrem wirtschaftlichen wert.* SIDNEY and BEATRICE WELSH.

Schmoller's Jahrbuch, vol. xxi (1897), No. 4 (first half) contains a remarkable article on the *Frauenbewegung* by Frau Dr. KEMPIN.

The Zeitschrift für die Gesamte Staatswissenschaft (Tubingen) for October cites from Dr. G. v. Mayr's recently published volume some statistics as to the excess of births over deaths of Europe since the beginning of this century. This natural increase has varied, with ups and downs, from 6 per 1,000 living, in 1801—20 to 8·8 in 1871—90, or 10·4, if France is excluded.

Giornale degli Economisti.

September 1897.

Correspondenza . . . (*Dazio sul grano*). A DE VITI DE MARCO. A powerful reply to advocates of the protective duty on corn. The close connection between the price of grain and that of bread is diagrammatically exhibited.

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October.

La Teoria pura del Monopolio. F. Y. EDGEWORTH. A mathematical analysis of the effects on price and quantity, of a tax or other limitation imposed on one of several monopolised articles which are *correlated* in respect of demand or supply.

Le due Sorgenti dell assicurazione. U. GOBBI. Speculation and co-operation are described as the two sources of insurance.

Le recenti agitazioni agrarii. A DE VITI DE MARCO. The recent disturbances in the Campagna and in the country of Ferrara and Bologna have had a common cause, the burden of protective duties.

November.

La Teoria pura del Monopolio. F. Y. EDGEWORTH. Three preceding articles are thus summarised. (1) A system of bargains in which more than one monopolist takes part is indeterminate. (2) The possibility of government intervention proving advantageous is illustrated by the paradox, that a tax on one of two monopolised articles for which there is a correlated demand may result in a fall in the price of *both* articles. (3) Generally in case of correlated demand or supply a tax on one article raises or lowers the price of the other according as the demand is rival or complementary; lowers or raises the price of the other according as the supply is rival or complementary.

A proposito di un recente trattato sulla moneta. A. LORIA. M. Bourguin's thesis—in his admirable book on *La Mesure de la Valeur*—that value is a mere ratio which expresses the fugitive opinion of the market, the law of normal cost being ignored, is astonishing in so able a writer. This agnosticism leads him to views which according to Professor Loria are mistaken. Thus he denies the quantity theory, supposes that a drop in the gold value of silver acts as a stimulus to exports from silver to gold countries, and that legislation could alter the relative value of gold and silver. But “evidently,” says Professor Loria, a universal international agreement, supposing it possible, “not changing at all the cost of production of the two metals, could not change their relative value.”

[But see ECONOMIC JOURNAL, vol. iv., “Mechanics of Bimetallism,” by Prof. Irving Fisher.—EDITORS.]

De Economist for September, J. Enschedé proposes an emendation of “Bentham's principle” of taxation, resulting in a more highly progressive scale. The following number contains an article by M. Boissevain on the “Stability of the Value of Money,” joining issue with Mr. Pierson on some points.

La Administracion (Madrid) for June, 1897, contains an article on “The Population of Spain,” read by Professor Salvá, giving an estimate of the Moorish and Jewish population in past centuries, and other incidents of ancient demography. In the September number Francesco Rico considers certain aspects of taxation.

NEW BOOKS.

BIBLIOGRAPHY OF SOCIAL AND POLITICAL ECONOMY, LAW AND EDUCATION. Being the sections relating to those subjects in the Best Books and the Reader's Guide. London: Swan Sonnenschein.

[A useful guide.]

BIRRELL (A.). Four Lectures on the Law of Employers' Liability at Home and Abroad. London: Macmillan. 8vo. pp. 132. 2s. 6d.

CAIRD (EDWARD), Master of Balliol College. Individualism and Socialism, being the inaugural address to the Civic Society of Glasgow. Glasgow: Maclehose and Sons. 1897. 8vo. pp. 30.

[Formerly "men were supposed to live mentally between the horns of a dilemma." Now this sharp collision of opposites in religion and politics no longer exists. Individualism and Socialism are not reciprocally exclusive. Each contains an essential truth.]

CURRENCY, THE REFORM OF. London: Effingham Wilson, 11, Royal Exchange, 1897.

[“It is necessary to abolish gold and silver as the principal mediums of exchange, and to substitute in their place . . . an inconvertible paper currency with checks against over issue.”]

DOUGLASS (WM.). A Discourse concerning the Currencies of the British Plantations in America. American Economic Association, 1897. Pp. 375.

ENGINEERS' STRIKE, THE. A Series of Articles Reprinted from "Engineering" (September 24th to November 12th, 1897). London: Offices of "Engineering," 35 and 36, Bedford Street, Strand, W.C., 1897.

FORBES-MITCHELL. Bimetallism *versus* Monometallism. Calcutta: Star Press, 1897. Pp. 253.

[By the author of the *Reminiscences of the Great Mutiny*.]

HALLARD (J. H.). Gold and Silver: An Elementary Treatise on Bimetallism. London: Rivington, 1897. Pp. 122.

NEW ZEALAND COLONIST. Notes on Political Economy from the Colonial point of view. London: Macmillan and Co. 1897.

ROTHWELL (WM. THOS.). Bimetallism Explained. London: Chapman and Hall. 1897. Pp. 273.

SEYMOUR (HENRY). Fallacy of Marx's Theory of Surplus Value. London: Murdoch and Co., 1897. Pp. 72.

SOLVAY (ERNEST) and DENIS (PROF. HECTOR). Social Comptabilism and the Cheque and Clearing Service in the Austrian Postal Savings Bank. Brussels: Institute of Social Sciences, 1897. 8vo, pp. 98.

[Contains an essay on the "Theory of the Measure of Transactional Value," in which it is proposed to replace the agency of money by a system of legalised written accounts, by M. Ernest Solvay. Mr. H. Denis adds a description of the systems of issuing cheques and transferring sums from one account to another which have been introduced into the Austrian Post Office Savings Bank, with the draft of a proposed law for introducing similar systems into Belgium.]

STEPHENS (T. A.). Contributions to the Bibliography of the Bank of England. London: E. Wilson. 8vo, pp. 214. 10s. 6d.

WEBB (M. DE P.). The Great Power: its Origin, Use and Influence, a Brief Explanation of the Necessity for Monetary Reform. London: Kegan Paul. 1897. Pp. 205.

BULLOCK (C. J.), editor. A Discourse concerning the Currencies of the British Plantations in America, &c. By William Douglass. Published by the American Economic Association. New York: Macmillan. 8vo. Pp. 375. 50 cents.

[Dr. Douglass's pamphlet, first published anonymously in 1739 was reprinted in 1857 in McCulloch's Tracts. It is here printed again, with a careful introduction, giving a sketch of Douglass's life and proving clearly that the tract was written by him.]

COURNOT (AUGUSTIN). Recherches into the Mathematical Principles of the Theory of Wealth. Translated by Nathaniel T. Bacon. With a Bibliography of Mathematical Economics by Irving Fisher. New York: Macmillan Co. London: Macmillan and Co. Pp. 213.

DAVENPORT (H. J.). Elementary Economics. New York: Macmillan Co. 8vo, pp. 280. 80 cents.

[A text-book, following the lines of the author's *Outlines of Economic Theory*, published in 1896.]

ENCYCLOPÆDIA OF SOCIAL REFORMS. Edited by W. D. P. Bliss. New York: Funk and Wagnalls Co. 8vo, pp. 1432. \$7.50.

[A collection of articles and summaries of varying value, often taking the form of argument and advocacy of particular views, rather than of information.]

FISHER (IRVING). A Brief Introduction to the Infinitesimal Calculus, designed especially to aid in reading Mathematical Economics and Statistics. New York: Macmillan Co. London: Macmillan and Co. 1897. Pp. 84.

HARRIS (GEORGE, D.D.). Inequality and Progress. Boston: Houghton, Mifflin and Co. 16mo. \$1.25.

[The author, professor in a theological Seminary, maintains that inequality is an indispensable condition of progress. The book is directed in part against Bellamy's *Equality*.]

HENDERSON (C. R.). The Social Spirit in America. Meadville, Penna.: Flood and Vincent. 8vo, pp. 352. \$1.00.

[The author, formerly a clergyman, is professor in the University of Chicago. The book, written for the Chataqua Reading Clubs, consists of chapters on various social subjects, addressed primarily to the general reader.]

MEANS (D. M.). Industrial Freedom. With an Introduction by David A. Wells. New York: D. Appleton and Co. 12mo. \$1.50.

[Discusses labour and capital, corporations, and social questions generally, in general advocacy of non-interference with the "natural" laws of trade.]

NEILL (C. P.). Daniel Raymond: An Early Chapter in the History of Economic Theory in the United States. Baltimore: Johns Hopkins University Studies. 8vo, pp. 63. 50 cents.

PLEHN (C. C.). The General Property Tax in California. Published by the American Economic Association. New York: Macmillan Co. 8vo, pp. 80. 50 cents.

[A careful explanation and analysis of State and local taxation in California. The author is instructor in the University of California, and the study is an important contribution to the literature on taxation in the United States.]

STICKNEY (A.). *State Control of Industry and Commerce by National or State Authority*. New York: Baker, Voorhis and Co. 8vo, pp. 202. \$2.25.

[The writer, known as the author of *A True Republic* and of other books on political subjects, here reviews the history of legislation and adjudication in combinations and on contracts in restraint of trade, and maintains that some recent American decisions holding certain combinations to constitute a crime are not sound. His conclusion on the economic side of the question is that combinations are not to be dreaded, and that competition provides a sufficient safeguard.]

SWAN (C. H. W.). *Monetary Problems and Reforms*. New York: G. P. Putnam's Sons. 8vo, pp. 85. 75 cents.

[A series of papers and essays, sketching the currency history of the United States, and urging the cause of "sound currency" on familiar grounds.]

UNITED STATES' DEPARTMENT OF LABOR. *Eleventh Annual Report of the Commissioner of Labor. Comparative Employment of Men, Women, and Children*. Washington: Government Printing Office. 8vo, pp. 671.

[The subject of this Report is the comparative employment of women and children in 1895-96 and at a period earlier by ten years (more or less).]

WILCOX (DELOS F.). *The Study of City Government: an Outline of the Problems of Municipal Functions, Control, and Organization*. New York: Macmillan Co. 1897. Pp. 268.

WILLCOX (WALTER F.). *Area and Population of the United States at the Eleventh Census (American Economic Association. Economic Studies. Vol. II., No. 4.)*. New York: Macmillan Co. 1897. Pp. 50. 50 cents.

[Discusses the probable degrees of error or accuracy in those of other authorities, and explains some of the difficulties of census taking in general and in the United States in particular. The author gives an interesting sketch of the history and meaning of the words "statist" and "statistics" in the introduction.]

AUDLER (CHARLES). *Les Origines du Socialisme d'État en Allemagne*. Paris: Alcan. 1897.

[This important work is not simply historical; there is much excellent criticism of the economic doctrines of leading German theorists, particularly List, Rodbertus and Lassalle.]

ESPINAS (ALFRED). *Les Origines de la Technologie*. Paris: Alcan. 1897.

[Rather a philosophic disquisition on will and action, than a Socialistic study of the evolution of the technical arts.]

HOUDARD (ADOLPHE). *Le Malentendu monétaire*. Paris: Guillaumin. Pp. 48.

LAMBERT (MAURICE). *Essai sur la Protection du Salaire*. Paris: Larose. 1897.

[The author aims at the legal protection of wages against the employer and the creditor of the workman, and against the workman himself, for example of the wife's wages against the husband.]

LAVELEYE (ÉMILE DE). *Essais et Études*. Paris: Alcan. 1897.

[The third series of the eminent publicist's posthumous publications. It contains some hitherto unpublished letters of Stuart Mill on various subjects.]

LEROUY BEAULIEU (PAUL). *L'Algérie et la Tunisie*. Paris: Guillaumin et Cie. 1897. Pp. xiv. and 620.

[The first edition (1887) being now rather antiquated, the second edition is carefully brought down to date. This work, distinguished by the author's usual brilliant qualities, is moreover the result of his own personal and direct investigations made on the spot, as M. L. B. visits every year the French possessions on the southern shore of the Mediterranean.]

MÉTIA (ALBERT). *Le Socialisme en Angleterre*. Paris: Alcan. 1897.

[This work, written from a purely objective point of view, is enriched with numerous documents and citations. There is, of course, much about Ruskin, Morris, the Christian Socialists and the Fabians.]

NEYMARCK (A.). *La Statistique internationale des Valeurs mobilières*. Rome. 1897. Pp. 51.

[Report presented at the last meeting in St. Petersburg of the *International Institute of Statistics*.]

NICOLAI (E.). *Salaires et Budgets Ouvriers en 1853 et 1891*. Brussels: F. Hayez. 4to. pp. 25.

SCHELLE (G.). *Vincent de Gournay*. Paris: Guillaumin et Cie. 1897. Pp. 300.

[Very interesting on account of numerous extracts and an analytical bibliography of Gournay's hitherto unpublished correspondence and official reports.]

TARDE (GABRIEL). *L'Opposition Universelle (Essai d'une Doctrine des Contraires)*. Paris: Alcan. 1897.

[The universal opposition manifests itself in mechanics by action and reaction, in biology by anabolism and catabolism, in psychology by contrary sentiments, in political economy by competition as against co-operation. Moving in a vast region among splendid images, the writer does not reach any very definite conclusion.]

BOGART (DR. ERNEST LUDLOW). *Die Finanzverhältnisse der Einzelstaaten der Nordamerikanischen Union (Sammlung national-ökonomischer und statistischer Abhandlungen des staatswissenschaftlichen Seminars zu Halle a. d. S.)*. Jena: Gustav Fischer. 1897. 8vo. Pp. xiii. and 157.

[An account of the financial position, and of the legislation and administrative practice with regard to financial matters, in the different North American States, illustrated by numerous detailed statistical tables. Contains a bibliography of the subject.]

BRENTANO (L.). *Die Agrarreform in Preussen*. [Heft 148, 149 of *Volksw. Zeitfragen*.] Berlin: L. Simion. 8vo. pp. 62. 2 m.

BUCHENBERGER (AD.). *Grundzüge der Agrarpolitik*. Berlin.

FERDY (HANS). *Die künstliche Beschränkung der Kinderzahl als sittliche Pflicht*. Fifth Edition, entirely recast. Berlin and Neuwied. Heuser. 1897. Pp. 141.

[See *ECONOMIC JOURNAL*, vol. iv., 1894, pp. 298, 299. There are many useful additions.]

FICK (FRITZ). *Die Frage der Checkgesetzgebung auf dem Europäischen Continent*. Zürich.

GOLDSTEIN (DR. J.). *Berufsgliederung und Reichtum, Untersuchungen über den Einfluss der Veränderungen in der Berufsgliederung*

auf Reichtum und Staatsmacht. Stuttgart: J. G. Cotta. 1897. Pp. 171.

[This volume traces the decline of agriculture and progress of manufacturing industries in England since the end of the seventeenth century, and the growth and changes in distribution of population and wealth during the same period, and is illustrated with numerous statistical tables and three statistical maps. It also contains a very full bibliography of the subject. It is to be followed by similar volumes dealing with the industrial development of France and Germany.]

GOTTI (DR. FRIEDRICH). Der Wertgedanke, ein Verhülltes Dogma der Nationalökonomie Jena: C. Fisher. 1897. Pp. 76.

HEISS (D. G.). Neue Grundsätze der Volkswirtschaftslehre. Stuttgart: Kohlhammer. 1897. Pp. 340.

HEITZ (E.). Neue Grundsätze der Volkswirtschaftslehre. Stuttgart.

HERTZKA (Th.). Die Probleme der menschlichen Wirtschaft. I. Bd.: Das Problem der Gütererzeugung. Berlin: F. Dümmler. 8vo. pp. 367. 6 m.

KÄHLER (DR. WILHELM). Die preussischen Kommunalanleihen mit besonderer Rücksicht auf eine Centralisation des Kommunalkredits (Beiträge zur Lehre von den öffentlichen Schulden). Jena: Gustav Fischer. 1897. 8vo. Pp. 121.

[Gives detailed statistical tables of the various public loans raised by Prussian town corporations and other local authorities, their dates, the rate of interest, the purpose for which the loan was raised, etc., and advocates the centralisation of the credit of such public local authorities by the formation of a public "Kommunal-kreditinstitut."]

KELLER (G.). Der Staatsbahngedanke bei den verschiedenen Völkern. Aarau (Switzerland): G. Keller.

KUCZYNSKI (R.). Der Zug nach der Stadt. (Münchener Volkswirtschaftliche Studien. 24 Stück. Stuttgart. 1897.)

MAYR (GEORG). Statistik und Gesellschaftslehre. Band 2: Bevölkerungsstatistik. Freiburg: J. C. B. Mohr. 8vo. pp. 496. 12. m.

VEREIN FÜR SOCIALPOLITIK. Verhandlung der Generalversammlung zu Köln am 23, 24, 25 Septb. 1897. Leipzig.

WEHBERG (DR. HEINRICH). Die Enthaltensamkeit von geistigen Getränken eine Konsequenz moderner Weltanschauung (Tages- und Lebensfragen. Nr. 21). Leipzig: Chr. G. Tienken. 1897. Pp. 69. 50 Pfg.

[The author considers the prevalence of drunkenness as one of the moral and social evils due to the present organisation of society and conventional, theological and ethical conceptions, and believes that it will die out with the advent of socialism.]

AGNELLI ARNALDO. Libero Scambio. Milan: Hoepli. 1897. Pp. 174.

BARBERIS (L.). Lo Sviluppo della Rete Ferroviaria degli Stati Uniti e le sue Variazioni. Con pref. di E. Masé-Dari. Turin: Frat. Bocca. 8vo. pp. 166. 4 l.

FERRARIS (CARLO F.). Gli Infortuni sul Lavoro e la Legge. Rome : Tipografia Nazionale di G. Bertero. 1897. 8vo, pp. 119.

[A discussion of the present law in Italy with regard to employers' liability, as well as of the Government proposal relating to compensation for accidents to workmen, which passed the Chamber of Deputies in May, 1896, and of the alternative proposal put forward by the Senate at the end of that year.]

GARELLI. La Proprietà Sociale. Milan. 1897.

LABRIOLA (ARTURO). Le Dottrine Economiste di F. Quesnay. Napoli : 1897.

[A critical study.]

LORINI (E.). La Riforma Monetaria della Russia. Monografia fatto per incarico del Ministero del Tesoro. Rome : Loescher. 8vo. pp. 227. 6 l.

LUZZATI (G.). Credito Capitalistico e Moneta Nazionale. Milan : Hoepli. 8vo. pp. 215. 3.50 l.

MONTEMARTINI (DR. GIOVANNI). L'utilità Differenziale del Risparmio e la Rendita del Risparmiatore. Pavia : Tipographia Co-operativa. 1897. Pp. 86.

[A mathematical study.]

VOLTA (RICCARDO DELLA). Terre pubbliche e Questione Sociale. Firenze : Topografia M. Ricci. 1897. Pp. 28.

ZANGORRA (V.). Studj sulla Pressione Tributaria. Roma : 1897.

THE ECONOMIC JOURNAL

THE JOURNAL OF

The British Economic Association

EDITED BY

F. Y. EDGEWORTH AND HENRY HIGGS

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